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APRIL & MAY 2003, NO. 118, $6.00

DEMOCRATIC IMPERIALISM: A BLUEPRINT
STANLEY KURTZ

THE NEW ECONOMY'S SORE LOSERS
HOLMAN W. JENKINS JR.

RAGE, HUBRIS, AND REGIME CHANGE
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THE COSMOPOLITAN ILLUSION
LEE HARRIS

ALSO: ESSAYS AND REVIEWS BY
RUPERT DARWALL, STEVEN LENZNER,
BENJAMIN WALLACE-WELLS, PETER SAVODNIK,
AND HENRIK BERING

APR 0 1 2003

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Democratic Imperialism: A Blueprint

By STANLEY KURTZ

ALTHOUGH THE UNITED STATES is the preeminent power in the world, we are not yet an empire. Notwithstanding periodic foreign interventions and our considerable international influence, we have not used our military to secure direct and continuous control over the domestic affairs of foreign lands. If anything, the United States has avoided empire. We have abolished the draft, reduced taxes, cut defense spending, and eschewed nation-building. Only recently, we were accused of "abandoning" Afghanistan in the wake of the Soviet departure from that country. Today, Afghanistan may be the germ of a new American imperium.

Iraq forces the imperial question. In the aftermath of an Iraqi war, it may suffice to install a friendly autocracy, withdraw the bulk of our forces, and exert our influence from afar. Yet some have called for more. From voices within the administration like Deputy Secretary of Defense Paul Wolfowitz, to policy intellectuals like Richard Perle, to esteemed scholars like Bernard

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Lewis, many have argued that only a democratic transformation of Iraq, and eventually of the larger Arab world, can provide long-term security against terrorism and nuclear attack.

In an important address in February, George W. Bush lent his voice to this chorus. In no uncertain terms, the president affirmed that "the world has a clear interest in the spread of democratic values," not least because "free nations do not breed the ideologies of murder." The president invoked the examples of American-led democratization in post-World War II Germany and Japan, and he pointedly rejected the claim that Arab nations are incapable of sustaining democracy. What the president did not say, yet gently and ambiguously implied, was that so deep a cultural change would require America to occupy Iraq in force and manage its affairs for years to come.

Could such a venture in democratic imperialism be harmonized with our liberal principles? Even if so, would it work? Is it possible to bring liberalism to a society so long at odds with the values of the West?

All of these questions were posed and answered, both in theory and in practice, during Britain's imperial rule of India. Three great British thinkers, Edmund Burke, James Mill, and John Stuart Mill, not only philosophized about liberal imperialism; they lived it. Burke helped force a major reform of Britain's early imperial system, while John Stuart Mill succeeded his father James as the "chief examiner" in the London headquarters of the British East India Company.

Burke on one hand and the Mills on the other founded the two competing moral and administrative schools of thought on the British Empire. Burke's colonialism was conservative, respectful of indigenous practices and elites, and insistent on the highest standards of stewardship. The Mills were skeptical, even contemptuous, of traditional practices and elites; they were determined to force a democratic social transformation. Neither approach, it turns out, was able to operate independently of the other. If we find ourselves shouldering an imperial burden in Iraq or beyond, we shall want to study the wisdom — and the folly — of Burke, the Mills, and their respective disciples. Far more than America's post-World War II occupation of Japan, the British experience in India may be the key precedent for bringing democracy to an undemocratic and non-Western land like Iraq.

From India to Iraq

BRITISH IMPERIAL India might seem an unlikely model for an American occupation of Iraq. American rule in Iraq would ideally be a successful and time-limited experiment in democratization. Yet the British governed sections of the Indian subcontinent for nearly 200 years. The earliest period of British colonial rule was marked by extreme exploitation and neglect. Once colonial government was placed on a sounder footing, even the best-intentioned policies of dedicated and sympa-

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thetic administrators frequently went awry, leading to serious social disruption. Midway through the Raj, the British harshly suppressed a violent rebellion, leaving a legacy of suspicion between ruler and ruled. The aftermath of rebellion ushered in the later phase of empire, which was marked by an ideology of racial superiority, continued exclusion of Indians from the higher levels of the civil service, and a growing independence movement that was opposed consistently, sometimes violently, by the British. If anything, therefore, the British experience in India might best be viewed as a model of what not to do in Iraq.

The British Raj does indeed represent a useful countermodel for any American venture in Iraq. Yet the experience of India under the British was by no means entirely negative. In fact, the very movement of Indians to free themselves from British rule was a product of British influence. Above all, the British cultural legacy explains why post-independence India took a democratic turn. Nor was the emergence of Indian democracy an entirely unintended consequence of British imperial domination. Despite the many problems and conflicts of empire, several critical threads of British imperial policy were intended to bring about eventual democratic self-rule in India. When India finally did attain independence and democracy, it was in no small part due to those policies.

The very movement of Indians to free themselves from British rule was a product of British influence.

But why look to India at all when we have the American occupation of Japan as a model? That occupation was a successful and short-lived American-run venture in the democratization of a non-Western autocracy. Why not simply repeat the formula? The problem with the Japanese precedent is that the post-World War II transformation of Japan was far less radical than meets the eye. Japan, after all, was already substantially modernized, else it would not have been able to challenge us militarily. Industrial might and an efficient, modern bureaucratic apparatus were keys to Japanese success, both during and after the war. And although World War II Japan was far from democratic, military rule was actually a diversion from a long Japanese history of experimentation with government along Western and democratic lines. In comparison to Iraq's ethno-religious factionalism, moreover, Japan is culturally homogeneous. So American efforts to impose a democratic constitution on Japan succeeded because they rested on a set of economic, social, and historical prerequisites, all of which are virtually absent in Iraq.[1] The British, on the other hand, transformed a country with no democratic tradition into one of the more successful democ-

[1]See Stanley Kurtz, "After the War," *City Journal* (Winter 2003).

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racies in the non-Western world. This Indian experience more closely resembles the challenge we shall face in Iraq than does the example of post-World War II Japan.

Democratic gradualism

How, then, did the British bring democracy to India? "Very slowly" is a large and important part of the answer to that question, although this is not an answer Americans want to hear. Yet it is something we need to remember. Authentic democratic development is slow — a lesson easily forgotten by a nation that was, in important respects, democratic from the start. Again, the example of post-World War II Japan, which rests on a long and too-little-known history of indigenous experimentation with democracy, misleads us into thinking that supervised elections and imposed constitutional changes can, by themselves, suffice to introduce democracy to a non-Western country.

Until the 1830s, British imperial policy in India was one of minimal interference with the indigenous social system. With a shockingly small number of British soldiers and administrators governing a land of many millions, the British had no desire to undertake potentially disruptive reforms of Indian society. Most British administrators were "Orientalist" in inclination. That is, they were devoted to the respectful study of Indian culture. Orientalist scholarship served as the foundation for a policy of government by means of indigenous elites. In formulating that policy, the Orientalists drew on Edmund Burke's social conservatism — his respect for the wisdom of tradition and for the local aristocracies that serve as its custodians.

As a prominent disciple of the liberal utilitarian philosopher Jeremy Bentham, James Mill became the leader of a reformist liberal opposition to the Burkean Orientalists. As chief examiner of the British East India Company, he drafted the memoranda of instruction that were sent to India during the 1820s and 30s. (Although Mill drafted the memos, and was highly influential, he did not have final authority over their contents.)

It was the liberals' education policy that successfully laid the groundwork for India's modern and democratic future. The Orientalists wanted to subsidize the advanced study of indigenous languages. The liberals, on the other hand, were determined to create a class of English-speaking Indians. Precisely because there were too few British administrators to govern India's vastness, the assistance of a corps of English-speaking Indian clerks was required. Yet liberal administrators were looking for something more than bureaucratic assistants. Their hope was to mold a class of Indians that was modern and liberal in outlook, a class that could eventually govern India on its own.

That is exactly what happened. Liberal administrative victories over the Orientalists in the 1830s set up a system of English education that eventual-

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ly produced a small but influential bureaucratic class of Anglicized Indians. Although a more conservative administrative policy of indirect rule through indigenous elites eventually returned (under the dual blows of failed land reform and the Indian Mutiny of 1857), a small but productive system of English-language education remained sacrosanct throughout British rule. By the 1880s the growing class of English-educated Indians, frozen out of higher administrative positions, was agitating for a larger role in government. At that point, administrative liberals returned to power long enough to devolve a limited share of control to local representative assemblies on which Indians could sit. These English-educated Indians, who populated the bureaucracy, the courts, and the local democratic assemblies, formed the core of India's movement for independence.

The British, of course, went back on their promise of eventual democratic self-rule, forcing Indians to seize their independence through a decades-long campaign of agitation and resistance. Yet the educational policies set up by liberal British administrators 100 years before independence had laid the foundation for democratic self-rule in India.

The English-educated Indians formed the core of India's movement for independence.

Another key contribution of liberal and reformist British administrators to independence was the construction of an all-India communications and transportation network in the 1850s. An efficient national postal service, telegraph system, and railroad network were all laid down in that decade. Of course, this network increased the efficiency of British military and administrative control over the subcontinent. Yet the new infrastructure also generated a national consciousness among Indians, who had not previously seen themselves as members of a single society. In particular, the English-educated Indian bureaucratic class was brought to awareness of its shared identity, values, and grievances by the new networks of communication. Thus was born the idea of a modern, independent, and democratic Indian state.

The lesson in all this is that a slow process of English-medium education in modern and liberal ideas has the potential to transform a traditional non-Western society into a modern democracy. (Because of its status as the world's lingua franca, by the way, even Sweden now makes English a compulsory second language.) To work, such an education needs to be followed by actual experience in legal, administrative, and legislative institutions constructed along liberal lines. India's English-speaking bureaucratic class made up only 1 or 2 percent of the population. Yet that class was sufficient to manage a modern democracy and slowly transmit modern and liberal ideas to the larger populace. So the route to modernization is not a direct transformation of the traditional social system, but an attempt to build up a new and reformist sector.

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Several problems with this scenario as a model for a postwar Iraq are immediately apparent. For one thing, it took just over 100 years to move from the establishment of English-language education in India to independence and democracy. We don't have that kind of time in Iraq, where our purpose is to liberalize the culture quickly enough to undercut the growth of terrorism and anti-Western ideologies. Of course, after an initial outburst of liberal enthusiasm, the British did everything in their power to prevent their Indian subjects from attaining democratic self-rule. In contrast, since our national safety depends on establishing a successful liberal society in the Arab world, we have no reason to delay. Ideally, we could see good results in the time it takes to educate a single generation.

British rule created Indian nationalism, yet Arab nationalism has been in force since World War I.

That is still a long time. And we live in an era of nationalism. British rule actually created Indian nationalism, and in many ways the Raj depended for its survival on the initial absence of nationalist sentiment. Yet Arab nationalism has been a force to reckon with since just after World War I. In fact, the British themselves took over Iraq in 1917-1918 and initially tried to govern it directly. But by 1920-1921, an Arab nationalist rebellion forced the British to abandon direct rule and install a friendly and pliable monarch instead. By the same token, any American attempt to govern Iraq, or to supervise the education and training of a liberalized bureaucratic Iraqi class, is sure to generate Arab nationalist resistance. So even if the democratizing lessons of British imperial India might work in principle, will we be able to implement them in practice?

There are at least two possible solutions to the problem of Arab nationalist reaction — the Iraqi immigrant returnees and what we might call "blended rule" (a combination of direct and indirect rule). The Iraqi returnees, who have lived in the West and imbibed its culture for years, may already be a class of modern and liberal citizens who can help to govern and reform their society. Unfortunately, the evident divisions in the ranks of the returnees suggest the ongoing power of traditional regional, ethnic, and religious loyalties among them. Nonetheless, the returnees may provide a sufficient number of relatively liberalized Iraqis to jump-start the long-term process of cultural change.

The other question is whether, after an initial period of military rule, America can devise a way of exercising influence in postwar Iraq that is something less than classic direct imperial rule, yet something more than the "Orientalist" policy of indirect rule through traditional elites. (The latter policy might create a stable Iraq but will not produce a democratic Iraq.) This is a delicate and complicated question. To create a modernizing and liberal bureaucratic elite in a country where no such class exists, Westerners

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will be needed to run the schools and to serve as model administrators and judges. While the returnees may be able to help here, substantial American or Western involvement in the administration and staffing of a reconstructed Iraq will almost certainly be essential to any hoped-for democratic transformation. The question is, can that kind of intimate American involvement take place under the umbrella of an Iraqi government?

Even if we can reduce the process of generating a liberal, Western-educated, and modernizing bureaucratic class to a generation, and even if we can do so without provoking excessive cultural backlash, we still face the reality that authentic democracy takes time to develop. Holding democratic elections in a fundamentally illiberal environment invites ethnic conflict, Islamist or secular dictatorship, and the same round of military coups that eventually brought Saddam Hussein himself to power. This suggests that a period of quasi-imperial, and therefore undemocratic, control might be a necessary prerequisite to democracy itself. That brings us to another critical lesson of the British experience in India — the paradoxical compatibility between imperialism and democracy.

A failed reform

JAMES MILL'S THEORY of social change was straightforward: Replacing priestcraft and local despotism with wholesome government would quickly sweep away irrational prejudice. Educate the populace, make them secure in their property, govern them well, tax them lightly, and their economic habits will be transformed to resemble those of enterprising British citizens.

Mill's attitude toward indigenous Indian elites was diametrically opposed to that of the Burkean Orientalists. Where the Orientalists looked at Hinduism's sacred texts and saw legal subtlety and literary brilliance, Mill saw barbaric punishments and wild-eyed myths. For the Orientalists, brahman priests were the leading caste of the land whose understanding should be taken by administrators as the key to prudent rule. To Mill, on the other hand, brahmans were the ultimate embodiment of sinister priestcraft — wielding abstruse rituals and extravagant tales to keep the masses ignorant and docile.

The Orientalist administrators feared that by displacing indigenous elites, James Mill's policy of radical reform would provoke a revolt. Yet Mill was confident that any prejudice in favor of tradition, self-rule, or indigenous elites would fall away once the populace perceived the social and economic benefits of Britain's modernizing policies. In Mill's utilitarian theory, the mind was a tabula rasa that could quickly be shaped, and reshaped, by changing external influences. Tradition, in this view, counted for little.

In practical terms, James Mill's strategy, which was eventually taken up by a generation of liberal administrators in India, centered on land reform.

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For Mill and his followers, the key to social progress in India was to undercut the power of reactionary local elites by deeding land to individual peasants. Once these peasant cultivators had secure ownership of their land, market forces would take over, and spontaneous economic development would rapidly follow. This formula for modernization is not unlike that favored today by Peruvian economist Hernando de Soto.

Yet in early nineteenth-century India, liberal land reform was a dismal failure.[2] Reform did indeed undercut the traditional system of village self-rule and did also initiate a limited market in land. Yet the spirit of British economic enterprise did not follow. Instead, the local economy remained stagnant while the collapse of the traditional village political system put new demands on already strained British administrators.

Western political habits are not simply waiting to be unleashed by a few simple legal reforms.

The failure of liberal land reform was a vindication of sorts for the Orientalists. Yet they, too, had misjudged the situation. Even the Orientalist administrators had favored a policy of limited reform in the districts under their control. While they had no intention of undercutting indigenous elites, the Orientalists did sponsor surveys that recorded who worked the land. In doing so, the Orientalists meant only to verify that traditional village leaders were not unfairly exploiting peasants — or deceiving the British — as they collected taxes on the government's behalf. Yet the unintended effects of the Orientalists' land surveys were almost as disruptive of the traditional system of ownership and political control as the more intentionally radical reforms of the Millian liberals.

Although the upshot of reform was to parcel out control of land to individuals, and although the traditional politico-economic leadership of the village was greatly unsettled thereby, fundamental Indian patterns of caste and "joint family" association remained strong. The notion of collective property ownership among kin, while disrupted in its details, remained pervasive, whatever the technical system of title-holding. With the bonds of traditional kinship and caste relatively unbroken, a shift toward capitalist enterprise was anything but automatic. Nor did either the Orientalists or the liberals have a very clear understanding of the real social underpinnings of the system they were (unsuccessfully) toying with.

The lessons of empire, then, include a caution to democratizing optimists. Western economic and political habits are not simply waiting to be unleashed by a few simple legal reforms. The real barrier to modernity in the non-Western world lies in the pervasive and recalcitrant structures of every-

[2]For an account of the failure of British land reform policy, see Ann B. Callendar, *How Shall We Govern India?* (Garland Publishing, 1987).

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day life — structures few Westerners understand. In India, the key barriers to modernization are the joint family system and caste. The counterparts in Iraq are the patriarchal family system, the bonds of lineage and tribe, and related conceptions of collective honor.[3] Traditional social practices like these can sometimes adapt themselves to modernity. Yet a direct attempt to overthrow these structures is difficult to manage and unlikely to succeed.

Competing administrative schools

It is superficially true that Burke and the Orientalist administrators inspired by him advocated rule consistent with indigenous principles, whereas the liberals inspired by James Mill favored democracy for all. On closer inspection, however, one can see how both schools of thought favored a program of Westernizing reform and each had a healthy respect for the cultural barriers to modernization.

For England and India alike, Burke was an advocate of gradual reform within the context of time-tested institutions. In Britain, that meant going slow on the expansion of suffrage while encouraging a concept of stewardship in the public interest among Britain's aristocratic office-holders. It's easy for a modern American to dismiss these conceptions as outdated, but history largely vindicated Burke. Britain developed slowly and peacefully into a modern democracy, while the democratic radicalism and upheavals of the French Revolution (which Burke famously condemned) led to decades of turmoil and dictatorship. Both schools understood what modern Americans forget: that too-rapid democratization in the absence of cultural prerequisites can be dangerous.

In the 1780s Burke sought to reform Britain's growing empire in India.[4] The early years of British rule featured much economic exploitation as well as general neglect of the population's elementary needs and interests. The East India Company's conduct outraged Burke, who saw in rule by transient and commercially minded outsiders the ultimate contradiction of true stewardship — rule by those who live among and understand the habits and interests of the people.

Burke's opponents claimed that, since Indians were in any case accustomed to being ruled despotically, a measure of British despotism was both necessary and justified. To reply to that argument, Burke made himself into one of the first European experts on a non-Western culture. Burke successfully established that Hindu and Muslim law rivaled Western law in sophistication, and argued that such a people was just as entitled to the rule of law

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[3]See Stanley Kurtz, "Root Causes," *Policy Review* 112 (April-May 2002).

[4]The best account of Burke's dealings with India is Frederick G. Whelan, *Edmund Burke and India* (University of Pittsburgh Press, 1996).

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and just stewardship as the people of England. Interestingly, the founder of modern conservatism was Britain's sharpest internal critic of imperial abuse.

Burke sometimes hinted that, through a process of gradual and unforced reform, Indians might someday supplement their own customs with the full advantages of British liberty. Yet, as would later be true of the Mills, Burke had a limited understanding of the actual structures of Indian life. The caste system, for example, was for the most part opaque to him. Nowadays, students of Burke tend to push his criticisms of empire even further. If Indians had sophisticated law and were entitled to genuine stewardship by an indigenous elite, why have empire at all? But Burke can be pushed in the other direction as well. If non-Western societies are much further from the blessings of liberty than Burke dared imagine, then why not undertake a more radical program of reform?

Burke had a limited understanding of the actual structures of Indian life.

This was the question posed by James Mill in his rejection of the Burkean Orientalists' preference for rule through an indigenous elite. Yet John Stuart Mill made a lifelong effort to transcend the dichotomy between Burke and his father — between the indirect rule favored by the Orientalists and the radical reformism of the liberals.

John Stuart Mill famously suffered a mental breakdown as a result of his father's authoritarian and unbalanced rearing. James Mill raised his son John in isolation from all but a few family members, personally taught him Greek by age three, Latin by eight, and a demanding course of university-level material (including the history of India) throughout childhood. Religion, music, and art were intentionally excluded from young John's curriculum. In effect, John Stuart Mill was a guinea pig in a great utilitarian experiment in child rearing. By excluding all "irrational" and traditional influences, James Mill hoped to create a perfectly rational and "reformed" human being, just as he hoped to create a reformed and rational India.

Just as John Stuart Mill was advancing, under his father's influence, at the East India Company office, his mental breakdown hit.[5] To save himself from the feeling that he was incapable of normal human emotions, John Stuart Mill secretly began to read the romantic poets. That led him to Samuel Taylor Coleridge's conservatism. Less well-known is John Stuart Mill's growing interest, at just this time, in the administrative theories of the Burkean Orientalists, which were built around the same sort of respect for

[5]For an excellent account of Mill's work at the British East India Company and its role in his personal and intellectual development, see Lynn Zastoupil, *John Stuart Mill and India* (Stanford University Press, 1994).

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tradition found in Coleridge. Just before and after his father's death, Mill began to throw his weight behind the Orientalists' policies of rule through indigenous elites.

Eventually, in his administrative policies as in all aspects of his thought, John Stuart Mill sought a synthesis. Having abandoned his father's doctrinaire reformism, Mill was able to shift as circumstances demanded. With the advent of the great transportation and communications projects of the 1850s, Mill moved back into the reformist camp. Yet while many reformist administrators — his father above all — thought the actual participation of Indians in government was unnecessary to modernization, Mill always advocated participation in imperial administration by indigenous elites. In effect, this view was a synthesis of the Orientalist position (with its respect for the role of indigenous elites) with his father's authoritarian reformism. By the time he wrote *Considerations on Representative Government* (1861), Mill had worked out his system of liberal gradualism — an attempt to split the difference between his father and Burke.

Mill's administrative shifts reflected a larger rhythm of change in the history of British India.

John Stuart Mill's administrative shifts reflected a larger rhythm of change in the history of British India. The balance between reformism and relatively indirect rule constantly changed. Burke's early reforms brought a necessary respect for indigenous interests after a period of British exploitation and neglect. Decades of stable rule eventually made reformist administrative experimentation possible. Out of that period of reform came English-language education. Yet the reformers went too far. After the failure of their land reforms (which played a role in provoking the revolt of 1857), a policy of indirect rule through indigenous elites returned, punctuated by the liberal reforms of the 1880s that devolved a measure of power to local assemblies.

The lesson in all this is that there is no single correct way of democratizing Iraq. Some elements of the Bush administration prefer to work through traditional Arab elites, while others remain intent on relatively rapid democratization. (No doubt, both positions are considerably more nuanced than this.) So the nucleus of two competing administrative schools for a postwar occupation is already in place. Only time will tell how to plot a course between the two approaches.

Consider the problem of Iraq's traditional tribal areas as a specimen of the coming administrative challenge. A truly modern and democratic Iraq will require a state with a monopoly on the legitimate use of force. That means in the areas where rifle-bearing tribesmen still rule, the populace will eventually have to be disarmed. Yet, in the early phases of the occupation, it will be necessary to work with the tribes, not against them, to consolidate the new government's control. It will take time to educate and train a mod-

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ernizing and liberal elite. Eventually, patronage through tribe and kin will have to be stamped out in favor of an educational and bureaucratic meritocracy. In the meantime, some cultivation of traditional leaders and some accommodation of traditional kinship-based patronage will have to be tolerated. Inevitably, there will be contradictions in policy. The overall pace and direction of that policy needs to be guided by circumstances, not by simple doctrine. John Stuart Mill's administrative flexibility and synthesis is the model.

Liberal imperialism?

DEBATE OVER THE governance of postwar Iraq pits democratizers against realists. Realists are skeptical about the prospects for cultural change in the Arab world, warning that democracy will create ethnic strife and elected despotisms. Partisans of democratization, on the other hand, are willing to take risks to achieve the sort of deep-seated cultural change that might finally put an end to regimes that harbor, sponsor, or generate terrorists. In this view, it takes democracy to make democracy. Only by actually choosing their own governments — then living with the imperfect consequences of those choices — can a people learn the meaning and necessity of responsible elective behavior.

These opposed views often exist simultaneously within the same administration. For example, Thomas Carothers has highlighted contradictions within the democracy promotion policies of Presidents Ronald Reagan and George W. Bush.[6] After lavishing effort on the construction of a credible electoral process in El Salvador, the Reagan administration covertly funneled money to assure the victory of its favored candidate, Jose Napoleon Duarte. The current administration is encouraging democracy among the Palestinians while also making clear that it considers the reelection of Yasser Arafat an unacceptable outcome. And at the moment, the administration is trapped between its democratizing rhetoric and the growing crisis in Venezuela, where the popularly elected but anti-American government of Hugo Chavez holds sway. This sort of problem could confront us in an Iraq that is only formally democratized.

Part of the difficulty here is that our democratization debate is premised on a false dichotomy. Skeptical realists highlight the danger of holding elections in an illiberal environment. Democratic imperialists insist that faith in our values demands that we risk a shift to an electoral system in the Arab world. But what if a policy that eschews immediate elections is not simply a bow to illiberal realities, but itself reflects an understanding and affirmation

[6]Thomas Carothers, "Promoting Democracy and Fighting Terror," *Foreign Affairs* (January-February 2003).

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of authentic liberal democracy? After all, no less a liberal than John Stuart Mill articulated just such a policy of democratic delay.

After more than two decades' experience as a leading liberal voice within the British East India Company, Mill warned in *Representative Government* against premature elections in societies lacking the cultural prerequisites of democracy. Unless electors actually understand and embrace liberal constitutional principles, said Mill, representative institutions quickly degenerate into tyranny and faction. According to Mill, a government capable of bringing democracy to an illiberal society will have to be in some degree "despotic." In other words, after warning against the dangers of too-rapid democratization, Mill defends the necessity of an enlightened colonial despotism as a route to the long-term liberalization of relatively "uncivilized" societies.

Class divisions and ill-educated peasants meant that universal suffrage could easily lead to despotism.

Mill's thoughts on colonialism are not a favorite subject of his contemporary readers and admirers. When Mill's views on colonial democratization are examined at all, Mill is usually excoriated for his imperialism, his alleged betrayal of liberal principles, and his cultural bigotry. Mill does deserve criticism for his condescension toward, and limited understanding of, non-Western societies. Yet, in general, the complaints are unfair.

In *Representative Government*, Mill was grappling with a fundamental problem of British democracy, a problem little appreciated by modern Americans. America enjoyed near-universal white male suffrage from the start, but throughout the nineteenth century, Britain and other European nations struggled mightily with the question of how far to extend the franchise. This was not a straightforward matter of equality and justice but entailed the potential destruction of democracy itself by means of a popularly supported despotism. France had several times fallen victim to just such a despotism, and this was much on the minds of liberal democrats like Mill.

From the start, American democracy was premised upon its relative social equality and its widely educated public. Europe's class divisions, its unlettered peasants, and its ill-educated workers meant that universal suffrage could quickly and easily lead to despotism. So Mill's cautions about too-rapid democratization applied not only to India, but to England as well.

Yet Mill was indeed a liberal. If he saw legitimate limits to proposals for universal suffrage, he was also a leader of the movement to extend the franchise as quickly and as far as prudently possible. And despite his approval of an enlightened colonial despotism in India, Mill was a supporter of the liberal administrative policies that did in fact eventually lead to Indian democracy. For example, Mill was well aware of the tendency of the new Indian communications and transportation infrastructure to generate a national

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consciousness and to lift the concerns of individuals beyond their localities and toward the broader public good. For this reason, Mill strongly supported these reforms when they were playing out and clearly alludes to them with approval in *Representative Government*.

More important, in *Representative Government*, Mill lays out, more than 20 years before the fact, the governmental reforms of the 1880s that eventually did lead to independence and democracy in India. Speaking broadly, without mentioning any particular country, Mill argues that the way to democracy in relatively "uncivilized" colonies is the construction of local democratic assemblies that do not compete with the central power but are "auxiliary" to it. *Representative Government* was well-known to colonial administrators and surely helped set the pattern for the liberal reforms of the 1880s. Those who reproach Mill for his involvement in colonialism seldom acknowledge that Mill actually supported and helped to author many of the liberal colonial policies that did in fact bring democracy to India.

Due caution about the rapid importation of democracy is compatible with faith in liberal principles.

Of course, Mill is chastised for his embrace of the civilizational ranking characteristic of nineteenth-century British thought. It is true that Mill, like his father, was mistaken to dismiss Indian culture as "barbarian." But it is important to understand why Mill was mistaken. Neither of the Mills had a clear or satisfactory conception of what made Indian society tick. They judged India by British yardsticks and found it wanting. In doing so, the Mills did indeed misjudge a complex, graceful, and sophisticated social system — one with great strengths as well as great weaknesses.

Yet once *our* problem becomes the democratization of a non-Western culture, John Stuart Mill's seemingly dated framework is surprisingly modern and relevant. It can certainly be argued that traditional Arab society is far more appealing, and far less oppressive, than its detractors realize. But to the extent that the export of democracy becomes our goal and standard, Mill's warnings about precipitous reform in the absence of cultural prerequisites, his plans for eventual success, and even his ranking of societies by their relative readiness for democracy make a great deal of sense.

The lesson here is that due caution about the rapid importation of full-blown democracy to illiberal societies is entirely compatible with faith in, and even promotion of, liberal principles. Because of our unique social history, Americans think of democracy in universalist and rights-based terms. John Stuart Mill, however — like Edmund Burke and Alexis de Tocqueville before him — was keenly aware of democracy's social and cultural prerequisites. We cannot and should not return to the nineteenth century's ignorant and simplistic ranking of societies on a single evolutionary scale. Nor can we

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govern Iraq with the arrogance and prejudice of the nineteenth-century British. Yet the problem of a postwar occupation of Iraq is rather more similar to the challenges faced by Mill than to any experience with which Americans are familiar. For that reason, we would do well to learn from Mill's cautious, thoughtful, and in many ways successful program of democratization. Mill's belief in democratic gradualism was not only realist; it was also liberal.

A just empire?

TALK OF EMPIRE is discomforting. Even if it might be possible to isolate and extract the most liberal and beneficial lessons of the British experience in India, can any empire, however benign, be counted morally just? To venture an answer to that question, we would do well to consider the moral arguments surrounding European colonialism.

Much of the debate over the moral status of European colonialism turns on economic questions. Colonialism's defenders stress the lasting investment in productive forces made by the colonizer on behalf of the colonized. Critics of colonialism highlight transfers of wealth from the colonized country to the seat of empire. In a sense, as David B. Abernathy notes in his recent and very useful moral assessment of European colonialism, each side in this debate accepts the ethical premises of the other.[7] That is why colonialism's critics play down investment, while colonialism's defenders play down wealth transfer. In these terms, the British experience in India was clearly one in which the investment of productive forces was high — with the improvements in transportation and communication sponsored by liberal colonial administrators like John Stuart Mill looming particularly large.

Yet the debate over the moral status of colonialism is bedeviled by deeper dilemmas. Take the problem of the "counterfactual." Defenders of empire assume that the economic and political development stimulated by European rule would not have occurred in the absence of colonialism. Yet, by pointing to the example of Japan, critics of colonialism claim that, if left to their own devices, most conquered countries would have modernized even without European rule. I have argued that the Japanese example is the exception, not the rule. But since the counterfactual (i.e., what would have happened without colonialism) is formally unknowable, it is difficult to reach agreement on this issue.

And unlike calculations of investment or profit, certain critical moral criteria may be impossible to compromise or modulate. Implicitly, both sides in the colonialism debate agree that contempt for the race, cultural practices,

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[7]David B. Abernathy, *The Dynamics of Global Dominance* (Yale University Press, 2000), 387-407.

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or historical accomplishments of a colonized people is deplorable. But while some instances of European rule may have been more or less bigoted than others, even the fairest and most respectful instance of colonial rule may be inherently humiliating to the colonized. That may explain why defenders of colonialism have almost nothing to say about complaints of humiliation. That silence may indicate implicit moral agreement with the critics of empire, an affirmation of the one unanswerable argument of colonialism's critics.

On the question of democracy, the tables are turned. Here the contemporary critics of colonialism affirm by their virtual silence the power of a seemingly unanswerable moral argument. Contemporary scholarly accounts of colonialism, for example, have plenty to say about the way in which the British rationalized their possession of empire as a way of bringing liberalism and democracy to India. However, few scholars dare acknowledge that, for all the problems, British rule did in fact make India's modern democracy possible. What are we to make of the fact that one of the key British "rationalizations" for empire turned out, in large measure, to be true?

Imperialism as the midwife of democratic self-rule is an undeniable good.

Our commitment to political autonomy sets up a moral paradox. Even the mildest imperialism will be experienced by many as a humiliation. Yet imperialism as the midwife of democratic self-rule is an undeniable good. Liberal imperialism is thus a moral and logical scandal, a simultaneous denial and affirmation of self-rule that is impossible either to fully accept or repudiate. The counterfactual offers a way out. If democracy did not depend on colonialism, we could confidently forswear empire. But in contrast to early modern colonial history, we do know the answer to the counterfactual in the case of Iraq. After many decades of independence, there is still no democracy in Iraq. Those who attribute this fact to American policy are not persuasive, since autocracy is pervasive in the Arab world, and since America has encouraged and accepted democracies in many other regions. So the reality of Iraqi dictatorship tilts an admittedly precarious moral balance in favor of liberal imperialism.

The British Empire was far more successful than other European empires in bringing democracy to the colonized — India being the most impressive example. Combine successful democratization with the massive investment the British made in the infrastructure of their prized colonial possession, and the British imperial experience in India clearly ranks as one of the most legitimate and successful colonial enterprises. Yet the British showed racial and cultural contempt for Indians and systematically excluded Indians from the higher ranks of the civil service. So the intrinsic humiliations of empire were compounded by the realities of British rule in India. That deplorable fact must rank high in any contemporary moral accounting.

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Presumably, American rule in Iraq would be relatively free of the racial and cultural bigotry that so marred British rule in India. It would also feature substantial American investment in moral and material infrastructure. And the very purpose of American rule in Iraq would be to create the authentic democracy that we know has been impossible to establish in our absence. So by commonly agreed-upon criteria, an American imperial interlude in the Arab world would be as just as it is possible for such an inherently ambiguous undertaking to be.

Yet the deeper legitimacy of an American imperial adventure in Iraq would rest on a consideration entirely absent from debates over the morality of European colonialism. Both sides in the colonialism debate agree that empires ought to be judged according to whether they help or harm their subject populations. That is because European empires were established aggressively and opportunistically. These empires were defensive only insofar as they were fending off encroachments by the other European powers. (No small concern, by the way.) Yet, in the broadest sense, an American occupation of Iraq would be motivated and justified as self-defense. The dual advent of nuclear proliferation and terrorism has made the creation of an authentic democratic culture in the Arab world essential to the survival of the West.

In this sense, the real *moral* analogue of an American occupation of Iraq is our postwar occupation of Japan, whose defensive purpose was the democratization and demilitarization of a defeated foe. The Japan analogy may be flawed as a *pragmatic* model for democratization in Iraq, but its moral status is a significant precedent. The key difference is that bringing democracy to Iraq will take longer than it did for Japan. But while that is not a morally insignificant fact, it is ultimately more a difference of practice than of principle.

Lessons

As a way to encourage democratization, an extended American occupation of Iraq would be just policy. Would a long-term occupation also be wise policy? That is the more difficult question. Since democratization will be more lengthy and difficult in Iraq than in postwar Japan, America will have to marshal its will and resources for a stressful and challenging enterprise. If the Iraqi returnees turn out to be poor democratizers, or if America finds it difficult to exercise great and lasting influence without quite seeming to do so, the chances of an Arab nationalist reaction or internal American divisions are high. Certainly, one reasonable response to this scenario is refusal to engage in a long-term occupation at all.

Yet the argument for a venture in democratic imperialism is also strong. In the long term, it may be our best insurance against the deadly and ever-spreading combination of terrorism and weapons of mass destruction.

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Particularly in the early stages, such a venture should concentrate on building up a modernizing and liberal class through education. An end-run around traditional structures will be more successful than direct assault. Someday, however, the time for a limited assault will come. Shifting administrative strategies are a feature of successful democratic imperialism. Only circumstances can dictate the balance between relatively indirect rule and reformist transformation.

Above all, should America undertake an extended occupation of Iraq, the dichotomy between realist caution and reformist liberalism will have to be transcended. Authentic democracy develops slowly. The trick is to encourage electoral experiments on the local level while still keeping hold of national power. Gradualism is not a betrayal of democratic principle. On the contrary, it is an insight bequeathed to us by the founders of liberalism itself.

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The New Economy's Sore Losers

By HOLMAN W. JENKINS JR.

THE BUSINESS SCANDALS that roiled the first two years of President George W. Bush's administration, not to mention the long boom that led up to the scandals, are best understood as an emblem of society's attempt to come to terms with a new information product: No, not the personal computer or the internet, but the information product known as a "stock price."

Start with Enron, a natural gas company that, until the late 1990s, had been basically a $20 stock. Then its management began talking about creating virtual markets for all kinds of new-age commodities on the internet. Through these markets that Enron would run, advertisers could buy and sell time on media networks. Telecom carriers could buy and sell unused bandwidth. In a period of months, the gas company's stock price rose from the mid-20s to over $90 a share, as the new Enron vision played into the millennial expectations created by the internet revolution. It didn't matter that not one investor or analyst or fund manager could penetrate the company's published reports. By now, investors were valuing Enron based on the prospects of industries that had yet to be invented.

Jeff Skilling, the company's chief executive, could reasonably say, as he

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did shortly before the company made its dive into bankruptcy, that the stock price should be twice as high. After all, if the market was willing to value the stock based on management's promises of future innovation, management could always make more and grander promises about what the future held.

Or take Sunbeam: The struggling maker of small appliances hired cost cutter Al "Chainsaw" Dunlap in 1997. Suddenly a lackluster stock was lofted 300 percent over a period of weeks as investors anticipated a repeat of Dunlap's previous cost-cutting performance at Scott Paper. There, within months of his taking over, the company had been brutally downsized and sold for a fat premium to competitor Kimberley Clark. Then a wrinkle emerged: Sunbeam's stock price had already risen so high on these expectations that it became apparent that none of the likely acquirers found it worth buying. Dunlap, having brutally downsized Sunbeam, was stuck having to run the company, a job for which he was poorly suited. Not long after, amid evidence that the company had engaged in accounting fraud in a losing battle to justify its towering valuation, Sunbeam plummeted into bankruptcy.

By now, investors were valuing Enron based on the prospects of industries that had yet to be invented.

Or take Amazon.com, the web-based purveyor of books, music, toys, and the like. Though a mere start-up, the company soon after birth rocketed to a huge, and precarious, stock market value of $20 billion. A company's value is usually considered to represent an estimate of the present value of its future *profits*, but here the company was selling for a multiple of its annual *sales*, never mind any profits. That presented a problem: Amazon needed more money to finance its growth, but was undoubtedly worried about breaking the spell over its share price. Amazon didn't want to take a chance of spooking the over-eager day traders who were chasing its few publicly traded shares regardless of price. Instead, it sold "convertibles." These are bonds that pay interest but can also be, at the company's option, converted into shares if the company's underlying stock price rises to a stated level. Amazon's bonds were convertible when the share price hit $234, a level that seemed plausible in early 1999, when the stock had already rocketed to $200. The equity conversion option allowed Amazon to get away with paying a lower interest rate than a risky start-up otherwise would have, and it could avoid having to dip into its meager cash flow for interest payments at all if the stock rose to the conversion price.

The customers for such complex securities aren't day traders or small investors but sophisticated mutual and hedge funds. Amazon was offering these disciplined investors a way to play Amazon's extraordinary share price while protecting themselves on the downside if the bubble created by other, less sophisticated investors burst. And plenty of takers for the bet material-

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ized. In the end, demand was so great that the company boosted the offering from $500 million to $1.25 billion—money that stayed in the bank to finance the company's expansion during the tech drought that followed.

All three companies were emblematic of the stock market boom of the late 1990s — a boom that, needless to add, has left a bad taste in many investors' mouths. Washington has responded by holding hearings, and a new law, Sarbanes-Oxley, has prescribed in more elaborate detail than previously the duties of accountants, corporate managements, and boards of directors. It also imposes more severe penalties on those who fall short. Prosecutions are pending against genuine frauds, including executives at Enron and WorldCom. Yet none of this comes close to touching the source of investor dissatisfaction, the sharp rise and fall in share prices.

How can it? Inaccurate corporate reporting and other kinds of fraud played, if anything, a tiny role in the stock market drama. Share prices during the period grew much faster than reported profits — which would seem to let corporate reporting off the hook. Internet companies, of course, rose to unprecedented heights even though many reported no profits or revenues at all. In classic fashion, investors encountered the enemy, and it was . . . themselves.

Measuring the future

THE EXAMPLES OF Enron, Sunbeam, and Amazon demonstrate the peculiar challenge of managing a business when such extraordinary (even unrealistic) expectations are priced into a stock. Amazon, of course, managed to find its way through this thicket without resorting to accounting fraud, though its shareholders perhaps have done worst of all, at least in terms of the distance between its peak share price and post-bubble low. All three are emblematic, in their way, of a corporate sector that had been forced to become more accustomed to risk-taking than before, and more willing to write off bad experiences, even accounting fraud, quickly and move on in search of fresher game. Behind it all, corporate management has become obliged to adopt as its main guiding star a stock price increasingly set by the speculative judgments of millions of investors.

How did this come about? In the early 1980s, there was a sea change in how companies were managed. Corporate raiders and leveraged buyout firms had noticed that large U.S. companies had low stock valuations, not least because they were managed to eschew risk, which meant to eschew debt, or leverage.

Leverage signifies that a company is betting that its growth opportunities are sufficient to meet a high interest payment burden while producing growing profits for shareholders. The great insight of the early 1980s was that American business leveraged itself to suit the risk tolerance of managers, whose jobs, livelihood, and status were wrapped up in their companies.

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Managers, in turn, did not leverage their companies enough to satisfy diversified shareholders, who are more willing to assume higher risk for higher gain with respect to any single company in their portfolios.

That difference in risk appetite, taken to a logical conclusion, helped produce the quicksilver corporate order that characterized the late 1990s. Companies came to be judged more on their opportunities than their past performance. This is especially true of the companies that typified the opportunities afforded by technology and intellectual capital, or those that reflected innately speculative ventures like entertainment, fashion, or radically innovative new consumer-business models.

Critics have grown alarmed in retrospect over the dot-com failures and the palpable disaster of telecom overinvestment. What will eventually become noticeable, though, is how little real damage these episodes have done. Even after the setback of recent years, the stock market is up 700 percent from 1982, when the revolution toward higher risk-taking began. In those days, corporate America was being eulogized as hopelessly bloated and bureaucratic, trailing the Japanese and Germans. Today nobody doubts, even with the scandals of the past year, that U.S. business is the most dynamic and innovative in the world — or that Americans have benefited by it.

Even after the setback of recent years, the stock market is up 700 percent from 1982, when higher risk-taking began.

Even a company like General Electric, 124 years old and having had only nine chairmen in its history, is alive today to brag about its pedigree because its last chief, Jack Welch, a self-proclaimed radical from the "lunatic fringe," questioned every assumption, tore down every wall, and waged guerilla war against his own company's bureaucracy. In ways that the rest of the world would find strange, such has become the prevailing ethos of our risk- and change-loving corporate sector.

When asking what the high-risk corporate economy has wrought, it's appropriate to look beyond the scandals that recently engulfed companies like Enron, WorldCom, Tyco, and Adelphia. These are hardly emblematic of the totality of U.S. corporate performance. By the same token, though, what of the several trillion dollars in wealth destroyed in the market correction that followed the dot-com bubble? Can we really afford such "dynamism" if the cost is so devastating to so many investors?

There is no reason to doubt that some investors were really hurt: those who committed the cardinal sin of putting all their eggs in one basket, once it turned out to be the wrong basket. But look more closely: A disproportionate part of that destroyed wealth resided in a few name-brand tech companies that can be counted on two hands. Cisco alone saw half a trillion of market capitalization wiped out, and yet Cisco not only remains a thriving

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business, the essential global company in internet routers, but also had $21 billion in cash on its balance sheet from its ongoing business. Microsoft, Intel, Oracle, Nortel Networks, Lucent, JDS Uniphase, Juniper Networks, and Sun Microsystems accounted for $1.5 trillion in lost wealth among them — yet these companies are still in business, still technology leaders.

Moreover, the paper wealth that investors reveled in was so short-lived — much of it created and destroyed in a few months in 1999 and early 2000 — that the owners could hardly have adjusted their life expectations and financial obligations. The high-risk economy giveth and it taketh away. This was better understood by ordinary Americans than by the punditry. It no doubt explains why consumer spending and housing prices were not hit by the much-predicted "reverse wealth effect." The words "creative destruction" gained a currency that their author, the mid-twentieth-century economist Joseph Schumpeter, never would have imagined. Investors were plainly able to put their wild ride into perspective. A replay of the 1929 crash, after which a typical saving household put its cash in a mattress and refused to revisit the equity markets for a generation, has not materialized.

Indeed, for all the surface turmoil, the high-risk economy has a subterranean stability that must surprise anyone who remembers the stagflationary 1970s. Inflation remains quiescent. Unemployment, at 6 percent, is hardly dire. The longest economic expansion in the nation's history ended with a downturn so short and shallow that it barely qualifies as a recession. The bad news is that the good news has clearly not been good enough to satisfy the political culture. Some have posited a kind of resentment of prosperity, focusing on the unequal and somewhat random distribution of the very large prizes of the 1990s (though it was also a time when the real wages earned by average workers increased by more than they had in 20 years). But there also has been a significant dissatisfaction with our market institutions and a clamor for reform. This has focused on two concerns in particular, accounting and executive pay.

The accountants

Anecdotally, the mid- and late 1990s were notable for a succession of accounting scandals. Companies not quite well-known enough to make the evening news but prominent in the investment community, such as Oxford Health, Cendant, Warnaco, the aforementioned Sunbeam, and several others, were forced to restate revenues and profits for prior years.

Oxford Health was an HMO that predominantly served wealthy, healthy yuppies in the New York City area, charging them a relatively high premium for allowing them more choices of doctors than a typical HMO. When Oxford tried to expand its successful business model to a poorer and sicker Medicare population, this happy balance fell apart. Whether Oxford had

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intentionally underestimated its medical costs or was merely a victim of its own well-documented computer snafus is still debated, but the company's meltdown made it the Enron of 1997.

Next along was Cendant, a franchiser of hotel chains (Ramada Inn, Travelodge, and Howard Johnson), car rental agencies, and real estate agencies, which merged with a company called CUC International, part of whose business was selling memberships in discount shopping clubs. CUC was later found to have systematically overestimated the revenues to be gained from new members. Though a criminal trial is pending, refusal to see how the rise of the public internet was undermining its business model apparently played a role.

The cycle of market boom and bust has inevitably been followed by a cycle of recrimination against accountants.

By far, the largest category of accounting restatement in 1990s comprised episodes like this, involving "revenue recognition." Accounting affords a great deal of flexibility, especially in estimating future revenues to be derived as a result of willingness to incur a present cost. Other companies laid low, in one way or another, were Aurora Foods, Lucent, and Xerox, not to mention countless internet startups, energy firms, and telecom firms that booked revenues from transactions that in retrospect were seen to be more window dressing than reality.

The accounting firm of Arthur Andersen (later to be ruined over its audits of Enron) produced a study that showed the number of restatements by public companies doubled from 1997 to 2000. Arthur Levitt, who chaired the Securities and Exchange Commission in the Clinton administration, pointedly warned that "wishful thinking may be winning the day over faithful representation" in corporate financial reporting. Not long after came the collapses of Enron and WorldCom. Up went a cry against the accounting profession itself. These companies' books had been audited by reputable accounting firms. Why weren't investors warned that management was playing fast and loose with the numbers? Why didn't accountants stop it?

In this, politicians and investors were enacting a ritual as old as the SEC, which since the 1930s has required every public company to hire a certified public accountant to audit its books. Since this mandate was laid down, the cycle of market boom and bust has inevitably been followed by a cycle of recrimination against accountants. The accountant's job — or so the public believes — is to make sure companies are telling the truth. In the 1960s, Equity Funding Corp., various conglomerates, and the computer-leasing industry produced a succession of book-cooking scandals. In the 1970s, it was Penn Central. In the 1980s, it was the savings and loan industry. Almost by definition, the failure of a public company is always unexpected

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— if investors had seen it coming, they would already have yanked their money and the company would have failed. Invariably, then, the accountants end up with egg on their faces.

The principle was first named in 1974 by Carl D. Liggio, who went on to become general counsel of Arthur Young and Co. He called it the "expectations gap," a term that has been recycled every time the accounting profession finds itself in the crosshairs. Succinctly put, investors believe the accountants are supposed to stop fraud. But accountants have resolutely refused to accept that responsibility. Their job, they say, is not to suspect that management is lying but simply to make sure that the data — whose accuracy is management's responsibility — are presented in a manner consistent with accounting convention.

In reality, the sources of accounting fraud have always been easy to explain. Accounting fraud is a product of business failure. The uncomfortable truth is that a company facing difficulties is making a rational decision when it tries to conceal its condition from investors, creditors, and employees, who otherwise might turn fear of failure into a self-fulfilling prophecy.

The 1990s were a fertile time for creating new companies and testing new business models. As such, it was a fertile decade for business failures, and for accounting fraud. At the start of the decade, some 7,500 public companies were in existence. By 2000, the number had risen to 15,000. Today, there are certainly thousands fewer, and some inevitably became examples of full-blown accounting scandals as they disappeared or were reorganized.

Cynically speaking, this is what you might expect from speculative companies taking a flyer on experimental new business models. The "expectations gap" has become as much an investor's excuse as an accountant's excuse. Nobody invested in Enron, after all, because they admired Arthur Andersen, its accountant. To repeat a point, its stock price was happily boosted to $90 a share by many astute investors and fund managers who knew they couldn't make heads or tails of the company's books. Investors, in the long run, get the accounting they deserve. Though forgotten now, Enron's unraveling began when investors woke up to the inscrutability of its books and pressed for more clarity, before any breath of scandal had touched the company. It wasn't the SEC or prosecutors who uncovered the Enron scam but the market itself.

Stock options

To the public and serious analysts alike, however, a new and worrisome corollary emerged from the corporate ructions of the late 1990s. This was the belief that managements themselves had become systematically corrupted by the use of stock options as the primary

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means of executive compensation. Though options had existed since the beginning of corporate capitalism, their vast expansion was a landmark phenomenon of the more heady corporate world of the 1990s. Unlike accounting scandals, this was truly something new under the sun.

Eighty percent or more of the average chief executive's pay takes the form of options. Options allow an executive to buy a fixed number of his company's shares during a fixed period at a price set the day the options are issued. If the stock goes up sharply under his or her tenure, huge windfalls are not only possible — during the long bull market of the 1980s and 90s, they became commonplace. Michael Eisner of Disney was calculated to have made, on paper, $300 million in the mid-1990s. Sanford Weill, head of Citigroup, was calculated to have gotten $150 million in 2000.

Eighty percent or more of the average chief executive's pay takes the form of options.

This is not to say executives were innocent beneficiaries of a rising market. Any serious executive knows that 90 percent of the factors affecting his share price are out of his control. Management can't control the market. But management is uniquely positioned to determine how the benefits of the corporation's net cash flow are distributed. Assume, as many people do, that low inflation and low interest rates were primarily responsible for the rise in share prices in the 1990s. Even if a company's earnings remain drearily unchanged from year to year, its implicit market value would rise to reflect the increased stability in the value of money. Management decides how much of the actual value will be captured by employees (in the form of rising pay, perks, or self-interested empire building) or by shareholders in the form of maintained or improved profit generation. Stock options have been rightly described by one corporate compensation expert as "neither compensation nor benefits" but as a "behavior-changing employee communication plan." Options are indeed a powerful form of behavior modification, making the stock price a central consideration in every decision a CEO makes. In this way, the rise of stock-based compensation has been an important force in pushing companies to be more risk-taking to meet the risk appetite of public investors.

Stock options have been especially favored in those industries that have driven much of the recent growth of the U.S. economy — those based on technology and intellectual property. Notable about such companies is the fact that the assets that accountants traditionally pore over — buildings, machines, real estate—tell little about how much their future earnings will be worth. Though they are obliged to file the same voluminous accounting as an old-line manufacturing company, often there isn't much that can be intelligently measured except cash coming in and cash going out.

Because of the difficulty of monitoring what goes on inside the black box

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of such a company, harnessing the CEO to a large carrot was, in the minds of many investors, particularly useful in such industries. Since they have no independent way to assure themselves about what a company is doing, incentives are expected to carry much of the weight. No better example could be found than Steve Jobs of Apple Computer, a company whose precarious survival depends on pulling rabbits out of its hat every few years to capture the imagination of computer users who could easily buy a cheaper, more convenient substitute in the Microsoft-Intel world. In 2001, Mr. Jobs, who was paid a salary of $1 a year, was granted options on stock with a face value of $870 million, plus a $90 million Gulfstream jet.

The Apple chief's compensation package immediately featured in every media account of runaway executive pay. But investors were betting on a CEO and on the power of stock options to simplify — even to do away with — the problem of corporate governance. That problem can be stated simply: How do you know a company to which you've trusted your savings will use it wisely to generate a profit? How do you maintain a comfort level especially when the company is dependent on a visionary chief to keep pulling rabbits from a hat?

Investors are dependent on management to provide much of the information the market uses to set the share price.

Like all solutions that seem to offer a once-and-for-all escape from complexity, stock options were bound to disappoint. For one thing, investors are dependent on management to provide much of the information the market uses to set the share price. That opens the door for management to manipulate the price by putting out false information. At the same time, the share price is supposed to be a signal to the CEO about the market's collective judgment about the validity and progress of his strategies. That opens the door to corporate decisions being influenced by uninformed or "irrationally exuberant" investors who deflect a company's share price from what wiser heads would consider a sober value.

These concerns are legitimate, proving at least that stock options are not the magic solution to all corporate governance problems. But then history suggests they were never meant to be. Modern use of stock options was adopted to solve a limited problem, not to become the all-purpose tool for aligning management and shareholder interests that some have claimed.

Those who have followed the matter closely find it no coincidence that the popularity of management stock options began just as courts and legislatures were erecting obstacles to hostile takeovers, which had been the market's way of disciplining truant managements in the 1980s. In particular, corporate reformers championed stock-based pay to offset the boardroom "poison pills" that numerous companies were adopting. Abhorrent in principle to corporate governance mavens, these devices greatly expand the free-

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dom of management to reject an unsolicited bid even if it might be in the interest of shareholders. The solution? Wave large stock incentives in front of managements so they will have a strong motive to entertain a bid at the expense of their own job security. There's even some evidence that the pill has benefited shareholders by forcing bidders to pay a higher price for takeover targets. Economists Marcel Kahan and Edward Rock, in the *University of Chicago Law Journal* last summer, trace this history and conclude that stock options "had the effect of transforming the pill, a potentially pernicious governance tool, into a device that is plausibly in shareholders' interest."

There can be little doubt that stock options work as advertised when managements are faced with a takeover offer. How about other kinds of decision-making? The economics profession has yet to reach a consensus on whether options have been good for corporate performance overall, but in the absence of a learned verdict, the media have come up with their own. Amid the recent scandals, stock options are universally put forward as the motive for what critics see as "pump and dump" behavior by corporate executives — that is, misleading the market with false information to drive up the share price so management can cash out its options at a profit.

Economists have yet to reach a consensus on whether options have been good for corporate performance.

Unfortunately, these accusations rely heavily on distorted hindsight, and even more on the assumption that any time a CEO sells a share of stock and later the price goes down, he must have been up to no good. Yet the landmark scandals of the past decade tell a different story. Enron's Ken Lay, WorldCom's Bernie Ebbers, and Tyco's Dennis Kozlowski — a rogues' gallery of disgraced executives — all had one thing in common: They apparently went to unusual lengths *not* to sell stock in their companies, even as their companies were unraveling. Though pump-and-dump villains have media appeal, these scandals fit a less cinematic but more believable mold. They were cases of classic myopia, complicated by personal neuroticism, in which executives managed to fool themselves about the wisdom and propriety of their action until it blew up in their faces.

Stock options may not be completely exculpated. How to compensate and incentivize management properly without producing unintended consequences is a puzzle that no doubt will never be completely solved. But these scandals arise not from one narrow innovation in corporate compensation but from the age-old lure of wealth, adulation, and success. In the recent scandals, investors played their role too, choosing with some deliberation to roll the dice with "visionary" entrepreneurs rather than to inquire carefully into whether the numbers added up.

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Fortune-telling

If there's a larger question, it's this: Why does the abandonment of investor skepticism so often coincide with periods of unusual growth and inventiveness in the economy? The answer may be that distinguishing a good business idea from a bad one is often impossible. Foretelling the future is hardly easy under the best of circumstances, and sometimes an investor may be sensible not even to try. Digging through piles of a company's past records, after all, doesn't tell you much about its future in a time when new industries are being invented. The alternative, throwing money indiscriminately at companies, may actually be a realistic option.

Yes, that means throwing money at charlatans and crooks as well as real inventors and entrepreneurs, but these categories frequently overlap. John Maynard Keynes, who understood these matters as well as anybody, maintained that "animal spirits" were the economy's driving force. If investors always opted for the flinty conservatism that scolds frequently urge on them, we might not have such a creative economy. Not that the bubble was as irrational as frequently portrayed. Dramatic, transformative new technologies are, by definition, a challenge to assess. Investors in internet companies had to assess not only how their old technology competitors would respond, but whether intellectual property law and other kinds of property rights would allow the first movers to lock up certain hugely valuable opportunities, much the way Microsoft's DOS operating system became the foundation for a near-monopoly on the basic software for half a billion personal computers currently installed around the world.

In any case, those investors who violated the basic canon of diversification and lost more money than they could afford on internet speculation can hardly say they didn't understand the risk they were taking. Nor has their "irrational exuberance" been without dividends for the rest of us. After all, large amounts were lost investing in dozens of personal computer makers in the early 1980s, before the consolidation of the Intel-Windows duopoly, or in the auto industry in the 1920s, before it settled into the oligopoly that it would remain for decades. The same has been true of many industries that came into the world to give us the standard of living we enjoy today.

What's more, for all the talk that the game is rigged against the "little guy," the industry dynamics that really matter play themselves out in plain sight. All investors have about the same chance to buy the winners and sell the losers. The fact that some will necessarily end up losers, as we are learning again in the wake of the dot-coms, certainly presents challenges to the body politic. But the mere existence of investors who are mad because they lost money is hardly an indictment of capitalism. Losers are an unavoidable consequence of the system that has made the country rich.

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Rage, Hubris, And Regime Change

By KEN JOWITT

THROUGHOUT THE 1990S, intellectuals and journalists, partly in response to the proliferation of prefixes — post-Cold War, post-communist, even postmodern — engaged in a competitive and seemingly imperative quest to name an era. The results of this effort at authoritative naming were phrases like the "end of history," the "clash of civilizations," an "age of anarchy," and, of course, "globalization" — none of which, to the authors' undoubted frustration, swept the field. I saw the 1990s as a "Genesis age," a period of history when the world was not biblically "void" but was most assuredly beginning to see its "form," i.e. its shaping institutions (the nuclear family, nuclear deterrence, the nation-state), begin to lose their unchallenged status. Lacking the parsimonious elegance and dogmatism of many others, I also saw the 90s as a "Toga period," a decade when the world responded to the unique reality of American global dominance by imitating — not assimi-

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lating — everything from legislative democracy to golf (the American "toga").[1]

With al Qaeda's attack on the U.S. in September 2001, the competitive scholastic exercise over naming was replaced by a more momentous political effort by the Bush administration to identify the threatening, and to author the defining, features of our age. The result is novel to the point of being radical and, unlike academic exercises, consequential.

According to the administration, the essential element of our era is the threat emanating from a combination of tyrannical states and what I have called "movements of rage," a malignant political coalition that relentlessly pursues and may succeed in possessing and using weapons of mass destruction (WMD) against the United States and its allies.[2] The Bush national security doctrine is a response to the likely proliferation of horrendous "wildcat violence" when state disintegration and/or the covert actions of tyrannical regimes offer movements of rage access to insidious weapons whose advanced technology demands only global reach, not global power. Largely in response to this possibility, the Bush doctrine stresses American military predominance, military preemption, and political transformation. From an historical point of view, these are extraordinary ambitions. More, they represent the practical (not necessarily successful) integration of international relations with non-Western political development in the form of an American foreign policy based on the ideological concept, and political-military pursuit, of democratic regime change.

Dominance

THE FIRST "PERSON" in the new Bush "trinitarian" doctrine is military predominance — or, if you like, dominance. In the administration's words, "our [military] forces will be strong enough to dissuade potential adversaries from pursuing a military build up in hopes of surpassing or equaling the power of the United States."[3] This tenet has no immediate bearing on the international issues facing the United States because it will most likely take at least a decade for any imaginable nation to

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[1]See Ken Jowitt, *New World Disorder: The Leninist Extinction* (University of California Press, 1992), Chapter 7, and "Communism, Democracy, and Golf," *Hoover Digest* (2001: 1).

[2]I first referred to "movements of rage" in my 1987 article "Moscow Centre," and expanded on the concept in my "The Leninist Extinction" piece in 1990. Both can be found in *New World Disorder*. The best current work on tyranny is Daniel Chirot, *Modern Tyrants: The Power and Prevalence of Evil in Our Age* (Free Press, 1994).

[3]*The National Security Strategy of the United States of America* (September 2002), 30.

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be taken seriously as a military competitor (unless, of course, Japan undergoes radical regime change on its own nationalistic terms).

But if the administration is looking at the long term, so will I. Suppose, for example, the European Union becomes a stable, effective, legitimate political entity in world affairs. As such, its expanding population would be greater than ours, its economic power nearly equal, and its military potential the same. Is it at all reasonable to assume that the United States would politically veto, economically prevent, or militarily challenge the further and future integration and military development of a Western, democratic, capitalist Europe? Or, if an economically successful China and an increasingly stable Russia form a political-military alliance, would the United States attack these two nuclear powers to prevent them from "equaling" the United States? And what would America do should Brazil, Argentina, or Mexico decide in the next decade or so to "go nuclear"? It is one thing for a great power's grand strategy to successfully intimidate the world; it is quite another to gratuitously irritate it. And when, as is the case now, a completely cornered Stalinist regime — North Korea — openly defies the United States by pursuing a policy with the genuine potential for nuclear arms development, it might be wise for the Bush administration not to humiliate itself by making pronouncements it doesn't and, at least in current circumstances, can't back up. The North Korean response to the Bush national security doctrine is instructive in other ways as well. Insofar as a defining feature of the doctrine is the elimination of terrorism by means of imposed democratic regime change, one might ask whether or not war against North Korea — which might be fully warranted from an international relations perspective — will further, lessen, or have no substantial impact on democracy and market capitalism in China, Japan, and South (or a united) Korea. The Bush doctrine may posit that war against rogue states, the end of terrorism, and democratic development go together by way of regime change; the strategic reality might be quite different.

Currently, there is a great deal of perplexity surrounding North Korea's defiant acknowledgement and assertion that it has reneged on the 1994 agreement with the United States by continuing work on a nuclear weapons program. True, North Korea was caught cheating. Equally true, North Korea could not expect the Bush administration to accept, a la Clinton, another apology for bad behavior and offer a promise of increased aid, with an optional visit by Jimmy Carter. But that still leaves us with the question, why is North Korea acting in such a defiantly risky manner?

Recently, North Korea announced a series of economic reforms. The reforms were tentative and ambivalent, however, and many members of the North Korean leadership undoubtedly feared they would lead, as with Gorbachev, to regime extinction. Add to this fear the Bush administration's absolute commitment to regime change in Iraq — a country that, like North Korea, has been (correctly) designated part of an "axis of evil." From the North Korean perspective, the only possible deterrent against the American

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demand for regime change, and presumed willingness to adopt a preemptive attack strategy, is for North Korea to develop an operational, if initially limited, nuclear capacity that will allow it to destroy Tokyo — or Beijing. If the Bush administration's foreign policy towards countries in the "axis of evil" is "either you become capitalist democracies or we will do it for you," then for both ideological and material reasons, the leaders of those regimes have every incentive to do exactly what the United States doesn't want them to do: develop a nuclear capacity. The Bush administration's fundamental solution to the danger of terrorism, regime change, has a decidedly Jekyll-and-Hyde quality — to wit, in trying to create democratic Dr. Jekyll regimes, it is likely to create enraged Mr. Hyde regimes.

Preemption

PREEMPTION, THE SECOND "person" in the trinitarian doctrine, is indeed a radical departure from deterrence as a strategy against hostile regimes. The difference between preemption and deterrence is simple: In the former case, you attack first. You don't wait for an attack and then counter-attack. However, both deterrence and preemption rely on evidence of a hostile power's weapons capacity, not simply its desire or search for such. The Bush doctrine rests on something much more radical (though, if Thucydides is correct, not historically unprecedented) than preemption: anticipation. The logic behind an anticipatory attack against a country like Iraq is that its leader will never cease in his search for military weapons of unprecedented destructiveness, and that once he possesses them, he will certainly use them against us in the form of blackmail, veto, or aggression. As I see it, the dangers of WMD in the hands of such a regime are threefold. First, the United States would suffer very high casualties trying to destroy a hostile regime that develops both WMD and the means to deploy and whose only restraint against using them is self-imposed. Second, a hostile regime with WMD would be more willing to harbor and sponsor stateless "movements of rage" and add to the latter's global reach insidious types of violent and traumatizing weapons. Third, the success of any single regime of rage would encourage the emergence of replica regimes of rage in other parts of the world — exactly the role Mussolini played for Hitler.

So the logic behind an anticipatory strategy is powerful. However, its strategic application demands the combined wisdom of Pericles and Solomon. To begin with, the premise for an anticipatory attack posits a hostile leader and regime platonically impervious to any environmental changes whether domestic or international. This is not always a mistaken premise — Hitler and Pol Pot are cases in point — but it is *almost* always mistaken. Over time, most regimes do change substantially if not essentially. One has only to look at the Soviet Union after 1956 and China after 1978.

An anticipatory strategy also relies on American presidential administra-

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tions with an unerring ability to identify which leaders and regimes are impervious to environmental changes. Any mistake in identification would result not in preemption or anticipation, but in a war that could have been avoided.

Finally, adoption by the United States of an anticipatory strategy creates the possibility that other nations will justify military action against their existing or potential enemies on the same hard-to-prove assumption that their adversaries, when and if they possess WMD, will use these weapons against them. When Australia declares its right to preempt, it is only a bit more serious than Peter Sellers's Duchy of Grand Fenwick in *The Mouse that Roared*. China, however, might very well use the Bush security doctrine's logic to launch an anticipatory attack on Japan and/or a united Korea before they too "go nuclear."

Regime change

POLITICAL TRANSFORMATION is the third part of the Bush administration's national security trinity. If global military domination sounds somewhat un-American, not to mention impractical, and if a strategy based on anticipation carries the extraordinary risk that international politics will become more a matter of arbitrary intuition than sober threat estimation, then regime change — that is, the forceful transformation of tyrannical regimes and non-modern societies like Iraq (and North Korea and Iran) into democracies — signifies a radical change in our idea of democratization. By making regime change the central feature of American foreign policy, the Bush administration appears to favor the "imposition of democracy" over the "transition to democracy." During the 1990s, the fetish phrase "transition to democracy" was the political logos that promised to bring about the "end of history." Proceeding both from the immediate absence of any international political, economic, or ideological alternative to liberal capitalist democracy and from a mistaken belief in the latent universality of American values, ideas, and practices, the bold conclusion was that sooner or later the world would look like California — a democratic universe where everyone from Bedford Stuyvesant to the Bedouins would drive a Lexus and have one's own ethnically specific "Olive Tree."[4] Persisting with, even insisting on, the mistaken belief that American culture, ideology, institutions, and psychology are universal, the Bush administration has replaced Clinton's "Mother Teresa" foreign policy with a

[4]The reference is, of course, to Thomas L. Friedman's popular version of Francis Fukuyama's "end of history" thesis, with the additional twist that history ends with the whole world becoming California. See Friedman, *The Lexus and the Olive Tree* (Farrar, Straus & Giroux, 1999).

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"Mother Superior" foreign policy designed to release the presumably natural and global impulses favoring market capitalism, procedural justice, liberal republicanism, and individualism.

Still, the differences between Bush's and Clinton's foreign policies are significant. Initially, if implicitly, the Bush administration subscribed to the "end of history" thesis that the "rest" of the world would more or less naturally become like the West in general and the United States in particular. September 11 changed that. In its aftermath, the Bush administration has concluded that Fukuyama's historical timetable is too laissez-faire and not nearly attentive enough to the levers of historical change. History, the Bush administration has concluded, needs deliberate organization, leadership, and direction. In this irony of ironies, the Bush administration's identification of regime change as critical to its anti-terrorist policy and integral to its desire for a democratic capitalist world has led to an active "Leninist" foreign policy in place of Fukuyama's passive "Marxist" social teleology. Prior to 9-11, National Security Adviser Condoleezza Rice articulated the new administration's "Marx-Fukuyama" policy quite clearly when she said Iraq was "living on borrowed time . . . [and] there need be no sense of panic." Rather, "the first line of defense should be a clear and classical statement of deterrence." The 9-11 attacks made it clear to the Bush administration that a belief in the inexorable unfolding of History favoring the West was both unfounded and dangerous. In a quite remarkable about-face, the Bush administration has devised a radically new American global posture.

An American-occupied Iraq will resemble an exposed American fort, surrounded by enemies.

Its rationale is sophisticated and begins with the proposition that the United States cannot simply wait and hope for internal transitions to democracy, particularly in countries whose leadership is dogmatically and hysterically intent on preventing such. Regimes of this type might acquire or develop WMD and use them to end our history. (Point well taken.)

Second, internal transitions to democracy such as in Meiji Japan or Imperial Germany in the nineteenth century are often "arrested." They stop short of creating a "constitution of liberty" and remain dangerously unstable political, military, and economic hybrids. One has only to look at Russia, China, India, South Africa, Mexico, and perhaps even Japan, as current candidates for "arrested development."

Finally, the external imposition of democracy presumably takes less time and does a more thorough job than do democratic transitions even in countries with little in the way of democratic, liberal, capitalist, or republican experiences. In this regard, the reconstruction experiences of Germany and Japan (as well as Korea and even the Philippines) are considered pertinent or exemplary. They are not. No envisaged invasion of Iraq will produce the

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psychological trauma, institutional disintegration, socio-cultural dislocation, or economic destruction brought about by our successful invasions of Japan and Germany.

Magic bullet or poison dart?

THE REMARKABLY SUCCESSFUL reconstruction of Germany took place in the context of a Germany that, prior to Nazism, had constitutional, juridical, and even political elements consistent with liberal capitalist democracy. Furthermore, as Ralf Dahrendorf has argued, the perverse Nazi revolution did have one very positive unintended effect: It destroyed or dislocated many of the anti-liberal capitalist democratic values, institutions, and practices that prevented Germany during its Imperial and Weimar period from creating a "constitution of liberty."[5] Additionally, the Nazi revolution was accompanied and followed by six years of war that ended with a completely devastated German society, economy, and psychology. Finally, the consequent long-term American occupational commitment to the success of a Western liberal capitalist democratic revolution in the most politically, socially, and economically developed part of Germany was inspired and sustained by an immediate, urgent, and unique sense of mission in the face of a newly expanded and powerful Soviet Union.

As for Japan, it took four years of war, two nuclear devices, a thoroughly devastated Japanese economy and society, the consequent discrediting of the emperor-centered militaristic polity, a Japanese culture built on hierarchical organization and obedience, and, as John W. Dower notes in his magisterial work on the Occupation, a country accustomed to the imposition of foreign models — the Meiji experience being a major example, one that occurred within the lifetime of some Japanese — to offer itself as a candidate for democratic transformation.[6] As in the German case, moreover, there were the historically unique circumstances surrounding the Cold War, particularly communism's success in China and the Korean War, which made America's commitment to democratic imposition in Japan extraordinarily urgent.

In stark contrast, look at Iraq. It completely lacks what pre-Nazi Germany had in the way of values, institutions, and practices congruent or even proximate with liberal capitalist democracy. And unlike both Germany and Japan, Iraqi social organization, far from being hierarchical, is basically segmental, much like a ringworm. In Japan, MacArthur could manipulate and dictate to a hierarchically obedient society. In Germany, it's difficult to

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[5]Ralf Dahrendorf, *Society and Democracy in Germany* (Doubleday & Company, 1969), 402-419.

[6]John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (W.W. Norton & Company/Free Press, 1999).

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find even one jaywalker in the entire country. It is impossible to see how a liberal capitalist democracy can discipline a segmented Iraqi society with none of the social, cultural, or psychological qualities required for even an unstable democracy.

World War II severely dislocated, traumatized, and mobilized Japan and Germany, thereby providing the United States substantial room for political maneuvering and institutional-cultural innovation. With the onset of the Cold War, Japan and Germany became integral parts of a Western Castle: the Western side of the moat (or "Iron Curtain") separating the West from the Soviet Empire. In contrast, an American-occupied Iraq, far from being an integral part of a Western Castle, will resemble an exposed American fort, surrounded by intimidated, frustrated, and enraged enemies.

The only glitch is that Iraq doesn't produce sugar and nickel. Otherwise we could also eliminate Castro.

The Bush image of postwar Iraq is quite different. Here, in contrast to the Clinton policy of hesitation and genuflection, one sees genuine evidence of the Bush administration's ingenuity and imagination. But how disciplined is this imagination? Consider the following "magic bullet" scenario, one that, to mix metaphors, envisages a "democratic domino effect." In this account, instead of a democratically transformed Iraq being isolated and exposed to surrounding enemies, the successful invasion and American-sponsored democratic reconstruction of Iraq leads to the collapse of all the surrounding dictatorial regimes: A liberated Iraq acts as a democratic stimulus for the majority of Iranians fed up with theocracy, prompting a Polish-style Solidarity mass rebellion against the ayatollahs followed by the creation of a constitutional order separating Islam from government. "Democratic" regime change in Iraq and Iran then isolates Syria. Its weak dictator, Bashar al Assad, being an ophthalmologist, sees the regional writing on the wall, reinvigorates the Baath Party, and takes genuine steps towards liberalization. This places enormous pressure on Hosni Mubarak in Egypt and King Abdullah in Jordan to do the same. At this point, even the Saudis realize that their family-run gas station must liberalize if they are to preempt internal Muslim dissidence and maintain the fiction that they are America's friends. As a bonus, with no tyrannical regimes left in the Middle East, North Korea's only source of hard currency — namely, the rogue regime market for missile technology — disappears: the straw the breaks North Korea's Stalinist back. In this "democratic domino" scenario, the only glitch is that Iraq doesn't produce sugar and nickel. Otherwise we could also eliminate Castro.

What can be said about the magic bullet scenario? For one thing, it demonstrates the near-genetic quality of the missionary impulse in American political culture, an impulse that partially informed our origins and mani-

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fests itself regularly throughout our history as an ideological belief that America's way of life in particular and the Western way of life in general constitute the natural, and potentially the universal, way of life. From this perspective — one that either denies or is simply ignorant of the decisive role cultural and social institutions play in mediating the practical organization of universal desires for security, affluence, and status — any suggestion that "freedom" as understood in the West requires a "calamitously improbable set of circumstances" is seen as ethnocentric. The reality is that, as a way of life, individualism is a uniquely Western and particularly American phenomenon, one that provides the most consistent internal base for liberal capitalist democracy.

The magic bullet scenario also strikingly expresses America's heroic disposition and character, our willingness to identify and undertake great world-shaping endeavors. The scenario effectively transforms and elevates a local, dangerous-but-mundane effort to remove a pathological killer, Saddam Hussein, into a successful democratic crusade that transforms the "last" anti-modern, anti-democratic capitalist region of the world: the Muslim Middle East. One might at least consider the fate of earlier Western crusades.

Iraqi society is fragmented into hostile tribes and clans based on kinship, religion, and ethnicity.

Third, and most important, the attempt to impose democracy in Iraq and the Middle East has all the unreality of Don Quixote. The truth is that an invasion and occupation of Iraq with the pronounced intent of imposing democracy will more likely be a "poison dart" with a "boomerang effect" than a "magic bullet" with a "democratic domino effect" in the region. For decades, the Iraqi middle classes have been forced to act like supplicants towards those who rule them with arbitrary power. Their servility has undoubtedly produced a psychology and culture that emphasize avoidance and distrust of political life. In no way do the Iraqi middle classes resemble the proto-liberal capitalist classes of seventeenth-century Western Europe with their preferences for, and understanding of, a legally framed market economy and individual autonomy. As for Iraqi society in general, it is fragmented into hostile tribes and clans based on kinship, religion, and ethnicity. In such an environment, creating civility will require Promethean effort. Creating a civil society and democratic government will take a miracle.

As for the regional effect of our dominant presence in Iraq, it is more likely that the dogmatic theocratic elite in Iran that believes in — not simply benefits from — its rule will do everything possible to continue ruling, not graciously retreat to Qom and fatalistically sacrifice theocracy in favor of secular democracy. On the other hand, it is true that a more democratically inclined Iranian middle class exists. The problem? Most of it lives in Los

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Angeles. As for the part remaining in Iran, unlike the Polish middle class at the time of Solidarity's revolution against the Communist Party, the Iranian middle classes have no experience organizing against or fighting the regime. Even Iranian students who have a much more favorable base for organizing have been singularly ineffectual in their demands for a more moderate mode of rule.

In Syria, efforts at liberalization will immediately threaten the rule of Bashar al Assad, his family, the group of generals that support him, the merchants that depend on him, and most of all the minority group that rules Syria, the Alawis, a quasi-Muslim sect that the Sunni majority regard as heretics and unbelievers. Should the Assad regime fall, his family and fellow Alawis would be exposed to widespread murderous violence.

The types of political innovation most likely to be accepted by a defeated society must resemble previous forms of political life.

The majority of Jordan's population is Palestinian, not Hashemite, Bedouin, and Circassian. How will democracy square with the direct electoral threat it poses to the Hashemite dynasty in general and to King Abdullah's family rule in particular? In a similar fashion, democratization, even liberalization, directly threatens Mubarak's determined efforts to groom his son Gamal as successor and guarantor of his authoritarian family rule in Egypt.

And Saudi Arabia, far from becoming an isolated Arab "North Korea" in the allegedly democratic Middle East that will follow regime change in Iraq, the al-Saud family will maintain enormous economic leverage, even after "democratic" oil flows from Iraq and the Caspian. And if, as I am suggesting, authoritarian family rule is the defining feature of the Middle East, how likely is it that a family like the al-Saud will look to Great Britain or Norway as a model for their family and kingdom?

One must also ask how, in the context of American military rule in Iraq, a Sharon-led Israel will deal with the Palestinians. Most likely, Sharon will use the opportunity to try to decimate the terrorist organizations Hamas and Islamic Jihad (possibly Hezbollah in Lebanon as well). Fine. But, unfortunately, Hamas is the most popular political group in Palestinian society. Should Sharon wipe out its organization and install a cooperative Palestinian government, the result will be an even more enraged Palestinian population — ruled under Israeli supervision by leaders most Palestinians would understandably see as quislings. As for Pakistan, civil war in a country with nuclear weapons will make the long civil wars in Angola, Sri Lanka, Colombia, Sudan, and now in Congo and Ivory Coast look like bar brawls.

The process of invasion, occupation, and attempted construction of a democratic nation in Iraq is likely to lead either to heightened authoritarian

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rule or civil violence in the rest of the Middle East — or both. A poison dart indeed.

With all this said, if Iraq refuses to account for known and new stocks of weapons of mass destruction, the United States must invade, as Eisenhower said about our invasion of Germany, as conquerors not oppressors — to which I will add not as imposers of a form of (democratic) rule that is unintelligible, unacceptable, and unworkable in Iraq.

Given enough power, a conquering authority can impose any kind of rule it wishes on a defeated society. More often than not, however, military-political imposition produces social dissimulation, not cultural assimilation of the conqueror's way of life. As Aristotle and Durkheim knew, the types of political innovation most likely to be accepted by a defeated society must closely resemble previous, familiar forms of political life. In the case of a defeated Iraq that requires, at a minimum, the Bush administration's recognition of and respect for the reality of ruling families as the central feature of Arab political life. Surely an easy task for what the *Financial Times*[7] considers the most successful political family in American history.

[7]James Harding, "Dynasty that is Set to Oust the Royal Kennedys," *Financial Times* (December 28, 2002).

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The Cosmopolitan Illusion

By LEE HARRIS

IS IT WRONG to teach our children to be patriotic? Or may we teach them to be a little patriotic, provided that we also teach them to value and respect the cultures of others? Should they be encouraged to be loyal to their own nation, or should they be taught that they are citizens of the world before all else?

These are the questions that were addressed in the justly celebrated essay "Patriotism and Cosmopolitanism" by Martha Nussbaum, and her answer was that education should actively encourage "the very old ideal of the cosmopolitan, the person whose primary allegiance is to the community of human beings in the entire world."[1]

The significance of the cosmopolitan ideal in contemporary American education is obvious at every level. At its most topical, it is illustrated by the course of Islamic studies that John Walker was encouraged to pursue in his

[1]Martha Nussbaum, "Patriotism and Cosmopolitanism," *Boston Review* 19:5 (October-November 1994). The essay is currently in print in Martha Nussbaum (author) and Joshua Cohen, ed., *For Love of Country?* (Beacon Press, 2002).

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Marin County high school, almost entirely to the exclusion of the once mandatory courses in American history and the subject quaintly known as civics. Indeed, a look at the curriculum of modern public education demonstrates a core emphasis on precisely those subjects that do not require an undue prejudice toward, or interest in, one's own culture, if it happens to be American.

But what is the basic justification for the notion that American education should promote the cosmopolitan ideal? And, indeed, that it should promote this ideal even if it is at the expense of less inclusive ideals such as patriotism?

At the beginning of her essay, Nussbaum sketches an answer. If we are going to stop short of full-fledged cosmopolitanism and choose to promote patriotic values instead, then what is to keep us from descending to increasingly narrower and ever more exclusive categories of allegiance, such as our particular class or race or region or trade association? Or, as Nussbaum puts it, "nationalism and ethnocentric particularism are not alien to one another, but akin" — so that "to give support to nationalist sentiments subverts, ultimately, even the values that hold a nation together."

What makes your country a more logical choice than your sect or tribe or even your family?

But there is an immediate problem with this argument. For if Nussbaum is making a historical claim, the record runs counter to it. The rise of both German and Italian nationalism in the nineteenth century was accompanied by a struggle against all those less inclusive forms of particularism — regional, linguistic, cultural, religious, and ethnic — that had kept both of these nations so politically backward. In fact, it could be argued that the point of nationalism was precisely to dissolve the hold that lesser forms of group loyalty had traditionally imposed on the human mind by subsuming these lesser loyalties under an allegiance to the larger community.

It is possible, however, to recast Nussbaum's argument as one that is not historical, but logical, in which case it can be stated roughly as follows: If your first loyalty should be to your own group, then why arbitrarily make this group the one represented by your country? Why not direct your primary allegiance to your own particular tribe or kinship group? After all, if the mere accident of belonging to such and such a group is to be the basis of your moral allegiance, then what makes your country a more logical choice than your sect or tribe or even your family? Where do you draw the line?

The point of this argument should be obvious: There is only one nonarbitrary point at which such a line may be drawn, and that is at the community of all the human beings on the planet. This is the only group that cannot be challenged as being merely accidental in the sense that you might have been born into one nation rather than another, or one sect rather than another, or

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one tribe rather than another. In other words, while we are accidentally white or black, Christian or Muslim, Anglophone or Francophone, Indian or Swiss, we are all essentially and necessarily human beings, and this is something that remains no matter how much we abstract from the contingencies of our incidentality.

This is by far the strongest statement of the cosmopolitan ideal that can be made, and yet it is not the one with which Nussbaum initially chooses to make her case. Instead she elects to "trace cosmopolitanism to its origins, in the process recovering some excellent arguments that originally motivated it as an educational project." Let us follow her example as well, if only in order to review some of these arguments.

Cosmopolitans and cynics

As NUSSBAUM CORRECTLY observes, the word "cosmopolitan" goes back to the Greek philosopher Diogenes, who, upon being asked to give the name of the city-state in which he had been brought up, responded with the remark that he was a citizen of the world.

Nussbaum is quite correct in her assertion that, in making this claim, Diogenes was refusing "to be defined by his local origins and local group memberships, so central to the image of a conventional Greek male." But what is not so convincing is her claim that Diogenes, in identifying himself as a cosmopolitan, was thereby insisting "on defining himself in terms of more universal aspirations and concerns." In fact, a review of the other anecdotes that have come down to us concerning the life of Diogenes should be sufficient to dispel such an anachronistic importation of our own Enlightenment-derived categories back into a world that would have found them alien and incomprehensible. Indeed, even in our own time it would be difficult to find someone who better illustrated Rousseau's famous dictum that the cosmopolitan is a man who claims to love humanity in order to avoid having to tolerate his neighbors.

Rather than being an expression of universalist aspirations, Diogenes's "cosmopolitanism" can be understood as the flip side of his fundamental cynicism. The Greek word from which we derive "cynicism" is *cynos*, which simply means dog. The term "cynic," as used both by Diogenes and by his detractors, had no trace of its modern significance, and certainly did not mean a man who knew the price of everything and the value of nothing. Rather, the cynic was the man who, abjuring the artificial constraints imposed by social custom, decides to model his standard of conduct on the natural way of life of a dog. If a dog does not need luxury to live, then neither does the cynic. If the dog can wander the streets and sleep in a tub, then so can — and did — Diogenes (and much worse, if ancient gossip is to be trusted).

But the logically consistent cynic — which Diogenes undoubtedly was —

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does not stop here, but proceeds to apply the same hyper-naturalistic principle to ethical obligations as well, especially the all-compelling ethical obligation that virtually every Greek felt toward the community that had educated and reared him — the very ethical obligation, it must be remembered, that Socrates felt he owed even to the city that had condemned him to death, and that he uses as his justification in the *Crito* for refusing his friends' offer of escape.

Would a dog have behaved like Socrates? Obviously not; nor, presumably, would have Diogenes, had he been confronted with the same choice. Just as the dog had no ethical obligations to the city he was scavenging, so too the cynic had no ethical obligations to whatever spot chanced to provide him with a temporary place of rest and sustenance.

But this, rather than being a rejection of ethnocentric particularism, as Nussbaum wishes to regard it, is simply a rejection of ethical obligation altogether; and that is what explains the true significance of Diogenes's use of the term "cosmopolitan." Diogenes consents to be a citizen only of a nonexistent and purely ideal community simply because there is never any danger that such an abstract entity will make a concrete demand on him. The world asks nothing from him; he owes it nothing in return. It is hard to imagine an ethical outlook that is more at odds with the educational project Nussbaum has in mind.

The Roman answer

DESPITE ITS PROBLEMATIC origins in Diogenes's quip — for that is what it was — the word "cosmopolitan" resumes its conceptual life in the mind of the Roman stoics, who used the term to express a new sense of mankind's dimension that had emerged, not thanks to Greek philosophy, but to Roman military conquest. Because the Roman imperium stretched across the known world, those who ruled it were called upon to deal with all manner of non-Roman peoples — outlandish savages and barbarians, the Greeks would have called them. But being called upon to rule and being able to rule successfully are two quite different tasks; while many have attempted it, few have succeeded for more than a hiccup of time, and none quite like Rome.

Why? This is something of a mystery, though there is one clue to it, and that is the story Livy tells of Rome's first great spurt of growth. The Romans, he said, being then few in number, threw their underpopulated city open to all the outcasts and misfits in the surrounding regions — to all who had nowhere else to go, but who nonetheless managed to work together. Though "nonetheless" is not quite the word, for the miracle was not that this riffraff managed to work and cooperate together — the miracle is that they taught other people how to do the same thing.

The paradox here is only apparent. Families and kin can clearly work

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well together, but the source of their cohesion is simultaneously the source of their weakness: Either one is a member of the family or the tribe or else one is not. If not, you never will be, and you know it. But this law does not apply to societies in which the primary unit is a group able to work together — a team, and not the family. This, according to Livy's account, is how we are to understand the secret of Rome's initial rise to greatness: It was made up of people who could work together precisely because family could not and did not matter to them. This meant that they were free to organize and cooperate without the structural tensions that arise when there are a number of different families, each vying for positions of prestige, prominence, and power, and leading in their contentious train all sorts of juvenile rabble-rousers.

Perhaps a myth, but a profound one, for it encapsulates the Roman principle of the supremacy of patria over family. What other culture has passed on a story of a man ordering the execution of his two sons because they had dared to try to seize supreme power and thereby turn Rome into the antithesis of a team, a tyranny? And this, without question, was the steady drumbeat of Roman pedagogical legend, the unquestioned primacy of one's ethical obligation to the team, the origin of the specifically Western concept of patriotism.

Societies that espouse the team principle allow anyone to create his own position for himself, independent of ties of blood and kinship.

The logic of the team is radically different from the logic of the family. Whereas the family divides between insider and outsider, the team divides between adept and neophyte, the latter division permitting a democracy of opportunity to those who master the skills required for the work of the team. No one born outside the family can work his way into it, but anyone may join a team and rise to the top. And that is why societies that espouse the team principle are societies that are passionately defended by those who live in them — they allow anyone the opportunity to create his own position for himself, independent of ties of blood and kinship and all other purely inherited forms of ethnocentric particularism.

The Roman ideal of cosmopolitanism was in fact the natural perspective of men who had been brought up to govern and administer a world empire as opposed to a Greek city-state, a nomadic caravan, or a village in Scythia. Nor should this cause surprise — all imperial societies find it in their interest to promote the ideal of cosmopolitan values, by which they mean that of the dominant culture, in contradiction to the clearly inferior local values of those on the outskirts of the world. Ibn Khaldun, when he introduced the ethnocentric particularistic concept of "group feeling" into his basic category of historical analysis, was fighting the tendency toward cosmopolitanism

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that was by then dominant in the Arab empire of which he was himself a functionary. In short, by a strange dialectical miracle, out of the intensity of Roman patriotism arose the sublimity of the cosmopolitan ideal that Nussbaum recommends as America's proper educational project.

The limits of recognition

Let us now examine how we are to visualize fulfillment of this cosmopolitan ideal. Nussbaum advises us to follow the stoics and to "think of ourselves not as devoid of local affiliations, but as surrounded by a series of concentric circles. The first one is drawn around the self; the next takes in one's immediate family; then follows the extended family; then, in order, one's neighbors or local group, one's fellow city-dwellers, one's fellow countrymen — and we can easily add to this list groupings based on ethnic, linguistic, historical, professional, gender and sexual identities. Outside all these circles is the largest one, that of humanity as a whole." The aim of cosmopolitan education, she writes, is to get the student "to recognize humanity wherever she encounters it, undeterred by traits that are strange to her, and be eager to understand humanity in its 'strange' guises. She must learn enough about the different to recognize common aims, aspirations, and values, and enough about these common ends to see how variously they are instantiated in many cultures and many histories."

Throughout this statement, and indeed throughout the essay, Nussbaum takes it as a given that in recognizing humanity wherever the student finds it, the student will get along peacefully and harmoniously with the other human being whose aims and aspirations she has recognized. In our world, this is often the case. But there is a problem here, and it may be seen at once if you simply imagine two people who have exactly the same aims, the same aspirations, and the same values. Imagine, furthermore, that they each recognize that the other one also shares the same values. Does this mutual recognition imply that the two of them *cannot possibly* be at each other's throats?

Obviously not. Not only may they be in conflict, but the conflict may in fact arise precisely because they share common aims and aspirations, such as the wish to marry one and the same woman or the desire to occupy one and the same piece of land. Such conflicts arise not because the contending parties fail to recognize the aims and aspirations of their antagonists, but precisely because they are fully cognizant of those aims and aspirations. Yet, if this is the case, then it is not at all clear how an education that stresses the commonality of aims and aspirations will act to bring about a greater sense of fraternity. For example, French students after the Franco-Prussian War were perfectly aware that the French and the Germans had exactly the same aims and aspirations in respect of those regions of France that had been

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annexed by Germany as part of the latter's reparation demands. Did this improve relations between the two countries? Clearly not.

This kind of conflict might best be called structural antagonism, and it reveals a profound ambiguity in the cosmopolitan ideal. It is not enough to share the same values and ideals and aims and aspirations in order to share an allegiance to the same community. Due to structural antagonism, it is quite possible for there to be two communities absolutely identical in all their most cherished values — and yet, at the same time, locked in a fatal and irreconcilable struggle with each other precisely because they *do* share the same values but *do not* share a higher value of living in peace.

This means that in order to decide which of two communities should be the target of your allegiance, it is not enough merely to consult the list of the respective communities' values, since these values may well be identical in the abstract, differing only in the direction of their concrete application. And this is a serious problem for anyone who wishes to promote the cosmopolitan ideal as an educational project, for in a case of a conflict between two communities, both of which are demanding the individual's allegiance, even the most sincere willingness to recognize the humanity of both sides does nothing to solve the problem of which side to give your loyalty and allegiance — and, indeed, by a very deep paradox, the more willing we are to recognize this common humanity, the more difficult it is to arrive at a decision.

It is not enough to share the same values and aspirations in order to share an allegiance to the same community.

Perhaps there is a way out of this dilemma through the application of the utilitarian principle of the greatest good for the greatest number: In the case of any conflict between communities bidding for one's allegiance, you should ally with the community that represents the more inclusive grouping of human beings. By this argument, it is obvious that the community of all the human beings on the planet would trump any less inclusive community, whether this be one's nation or any other more particularistic grouping of which you are a member.

Alas, this won't do. In a time of conflict, the act of choosing the more inclusive group implies the rejection of the less inclusive group. What justifies the cosmopolitan ideal, after all, is precisely its unconditional inclusiveness. Hence, if you begin to define all the human beings in the world in some peculiar way that eliminates from the reckoning any specific set of human beings, then you have abandoned the cosmopolitan ideal. What the cosmopolitan finds wrong about chauvinism is not the object of the blind attachment, but its partial and systematically exclusive character. One is either a citizen of the *whole* world or one is not. It is an illusion to think that one can get any closer to this goal by merely renouncing in advance any pos-

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sible loyalty to one's own nation in the event of future conflict.

The only way out of this dilemma is to redefine the cosmopolitan ideal as allegiance to whatever is *objectively* in the best interest of the community of all human beings on the planet. But this yields the same paradox that has invariably dogged utilitarianism in its efforts to define the greatest good of the greatest number. If, on one hand, we try to determine the greatest good simply by asking everyone what is his own personal greatest good, we are sure to get some conflicting answers and, hence, we are back to the problem of one partial community in conflict with another partial community. But if, on the other hand, we are asking about what is *objectively* in everyone's best interest, quite regardless of what anyone actually happens to think is in his best interest, then such a determination could in principle be made by a small elite or even by an individual, provided of course that they were in the right.

Yet, even if one swallows this bitter pill and accepts this consequence, with its implicit concession to the dictatorship of a cultural vanguard or educational elite, the central dilemma remains unchanged — the problem of a minority that disagrees and is excluded. The problem is that genuine, objective interests have come into conflict with each other. In such cases, the cosmopolitan ideal is itself no more effective as a means of unifying the different sides than is the patriotic ideal in times of civil war.

Behind the veil of ignorance

THIS LEAVES ONE last hope for the cosmopolitan ideal. It is one that Nussbaum touches upon only tangentially in her essay, although, I would submit, it is in fact the true foundation of the cosmopolitan ideal that she espouses, namely the "veil of ignorance" John Rawls postulated in his celebrated *A Theory of Justice* (Harvard University Press, 1971). Nussbaum writes:

> The accident of where one is born is just that, an accident; any human being might have been born in any nation. . . . We should not allow differences of nationality or class or ethnic membership or even gender to erect barriers between us and our fellow human beings. We should recognize humanity whenever it occurs, and give its fundamental ingredients, reason and moral capacity, our first allegiance and respect. . . . The ideal of the world citizen is in this way the ancestor and source of Kant's idea of the "kingdom of ends," and has a similar function in inspiring and regulating moral and political conduct. One should always behave so as to treat with equal respect the dignity of reason and moral choice in every human being.

In point of fact, the cosmopolitan ideal as presented by Nussbaum may best be conceptualized as the "globalization" of the Rawlsian veil of ignorance.

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What Rawls applied to any political community, Nussbaum wishes to apply to the world at large.

There is, of course, nothing wrong in making this move; in fact, I would argue that it is the one and only possible way of defending the cosmopolitan ideal against the criticisms made in the previous sections. The reason for this can be put quite simply: What wreaked havoc with the utilitarian formulation of the cosmopolitan ideal was the mere possibility of a genuine objective conflict between two or more different groupings of humanity, one in which the various claims and aspirations of any one of these respective sides could not be satisfied without thwarting the claims and aspirations of one of the other sides. Take, for example, the situation at the outbreak of the American Civil War. The Confederacy aspired to complete independence from the United States of America; the North aspired to retain the original Union intact. This was a genuine conflict in the sense that both sides could see no way to satisfy both sets of aspirations — it was, once again, a case of unavoidable structural antagonism.

What Rawls applied to any political community, Nussbaum wishes to apply to the world at large.

Or was it? Certainly one must grant that to both sides it seemed very much as if there were an inevitable and genuinely tragic conflict between them, and one that it was impossible to resolve without violence. But why was this so? Was it because of the nature of things? Or was it because the human beings who were party to the conflict simply failed to act *rationally*?

What if this failure could be remedied? What if human beings could be made to act rationally, so as to avoid all possible thought of violent conflict? Can rationality conquer the various forms of structural antagonism that have always plagued the human race and which have made the cause of peace so precarious?

It is in answering this question that we come across the true origins of Nussbaum's educational ideal. It is a variation of the Enlightenment belief in the power of education to transform and improve mankind's natural state — a staple theme of the Scottish, English, American, French, and German forms of Enlightenment as well as a personal faith shared equally by Kant, Adam Smith, Rousseau, Bentham, Diderot, and every philosophe down to the last.

Education would be for all mankind what it had been for these individual men — a liberation from the fetters of custom and the narrowness of provincial life. Education would open the world and would make men become more and more alike. Each would develop, as prescribed by Adam Smith in his *The Theory of Moral Sentiments* (1759), a disinterested spectator to observe his every emotional move, for the purpose of assuring impartial fairness in his interaction with his fellows.

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The enlightened rationality that would result from the widespread dissemination of such moral education would be the vehicle by which men and women would learn to avoid precisely those conflicts that had so long haunted the human race. Their enlightened rationality would permit them to see that, at bottom, they all had precisely the same objective interests and that any quarrel between them could arise only due to a failure on the part of one or both parties to grasp their enlightened self-interest. The purpose of education, in this view, was to teach human beings to internalize a code of rational conduct by which they could automatically make whatever mutual adjustments to each other that might be required in order to keep transient differences of opinion or interests from evolving into open conflict, with the possibility of violence and social instability inherent in such conflicts.

If the country of our birth is an accident, then so is our class or our profession or race.

But if education was a necessary means to achieve a state in which people could amiably settle their differences, then clearly the educational process itself would have to be designed with this end in view. It could not be just any kind of education, but one that aimed at producing men and women who would behave like rational cosmopolitans, to use the term employed by Kant in this connection.

Yet, as we have already seen, an education that emphasizes the similarity of people's aims and aspirations is pointless if those aims and aspirations are structurally antagonistic to the aims and aspirations of one's own group. Jean Renoir's magnificent film about camaraderie in World War I, *The Grand Illusion* (1937), begins with a moving scene in which two French aviators are the guests of honor at a lunch hosted by the very German aviators who have just shot them down. Here is a classic instance of the mutual recognition of common aims and aspirations by two opposing sides. And yet, despite the very genuine admiration that each opponent has for the honor and courage of his opposite number, both are perfectly aware that they are on different sides and that, when called upon, they will kill each other for their country.

The rational cosmopolitan must be able to avoid getting into precisely the kinds of conflicts that are brought about by all such structural antagonisms between human groups — those brought about by race, sect, creed, national identity, ethnic identity, and all the other forms of difference that divide. And this means that none of these lesser group identities can be allowed to interfere with the cultivation of one's universal humanity through enlightened rationality.

But what is our universal humanity? In what does it consist? What features does it have? Purely negative ones. It is whatever is left when all the accidents of our birth are removed. Or, to put it in terms familiar to readers

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of Rawls, whatever is separate and distinct from our rational humanity must go behind the veil of ignorance whenever we are called upon to act like a rational cosmopolitan.

Everything else is an accident, as Nussbaum has argued. For if the country of our birth is an accident, then so is our class or our profession or race. And this means that if people are going to transcend the problem of structural antagonism, they must learn not to define themselves — individually and collectively — in terms of any of the structures that create antagonism between individuals, since otherwise there will always be conflicts. But there is a problem here. For it turns out that human beings, if left alone — or even worse, to their own parents — will revert to precisely the kind of ethnocentric particularism that it is the duty of the cosmopolitan ideal to extirpate. And this has some profound consequences.

The people produced by enlightened education would be able to avoid all possible conflict long in advance of its arising.

For the Greeks, the purpose of education concerned the transmission of the traditional values and ethos of the community carrying it out. That is why the Greeks always maintained that the best education was to be raised in a good community — because with such an education you simply picked up, without noticing it, the civic ethos that was embodied in the daily practices of those with whom you interacted. But this must emphatically be rejected if we are to be faithful to the cosmopolitan ideal. In order to construct rational cosmopolitans, the children in our care must not be permitted to fall under the impression that they have any special or particular ethical obligation to the society or the sect or even the family that gave them shelter when they were helpless — not because the rational cosmopolitan is hardhearted, but simply because all such obligation is dangerous because of its potential for conflict with one's universal obligations.

If there is something a little chilling in this vision, we must understand the source of this chill. It arises from the nature of the moral law itself, as interpreted by Kant: Moral autonomy is demonstrated not by our ability to set our own unique goals and ends, but, on the contrary, by our ability to renounce them. For Kant, the moral agent is the person who acts as if he were legislating the moral laws that would be binding on all human beings — indeed all rational creatures — in general, and who then insists that he himself submit to this same moral law. The agent that does the commanding is not our own peculiarly colorful individuality, but the generic and universal Reason that represents our higher self — a Reason that is identical from person to person.

This is the principle upon which Kant based what he dubbed "philosophy's chiliastic expectations" of a universal world order in which all men

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would live in harmony, equally able to fulfill their highest potential — the Golden Age that from this period on would begin to lie in mankind's future rather than his past. The people who would one day be produced by the transformative experience of enlightened education would all be distinguished by their capacity to act as disinterested spectators in their own affairs and those of others and who would, by virtue of their disinterestedness, be able to avoid all possible conflict long in advance of its arising.

The particularity of cosmopolitanism

Unlike the modern liberal who exalts in the freedom of the individual to select his goals, Kant permits only the freedom of Universal Reason. But, as we have seen, this freedom turns out to be the higher self's freedom to dictate universally binding moral duties to the lower self, so that the end product is not a flourishing of the personal and the eccentric, but, on the contrary, an eradication of it to the extent that it is incompatible with Universal Reason. According to Kant, we are only demonstrating moral autonomy when we are doing exactly what all other people would do in our place under the same circumstances.

But that is precisely why Kant believes that rational cosmopolitans can actually exist. Because they *do*, and because Kant was one of them himself. And if Kant can be this way, it must be possible, in principle, that we can one day all be like that as well, our internal ethical motors operating in synchronization with those of others through an elaborate clockwork mechanism that assures a rational solution to any possible conflict between the paths down which our ethical motors take us.

And what is so bad about that, after all? It was how Kant had lived himself, as the story makes clear of the neighbors who set their watch by the time he passed their doorstep on his daily walk about Königsberg.

But this clashes terribly with the liberal concept of autonomy that is embodied in Isaiah Berlin's idea of negative liberty — the kind of Do Your Own Thing and Follow Your Bliss liberty that John Stuart Mill made famous in his essay *On Liberty* (1859), and certainly a vitally important part of the liberal tradition to which cosmopolitans subscribe. Certainly no one who shares Nussbaum's principles would be willing to tolerate the idea of a perpetually peaceful world community harmonized at the price of becoming an anthill.

Indeed, for liberal cosmopolitanism, liberal autonomy is the right that trumps all others, the formula that justifies an assault against oppressive conventional values in the larger community — including in cases where the larger community falls far short of the world community and more closely resembles a village or even a homestead. And therein lies the contradiction. On the one hand, liberal autonomy is opposed in principle to the conformity imposed by the conventions of any community of which it is a part and

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wishes to challenge it constantly. On the other hand, it espouses the ideal of an allegiance to a community made up not merely of one's neighbors, but of men and women from all over the world. It wants no part of the community at hand, but rushes to pledge fealty to a community that can be found nowhere.

In the *Confessions*, Rousseau writes about the pacific and cosmopolitan idealism of the Abbé de St. Pierre, whose works on his various projects for perpetual peace he had earlier edited, as follows:

> This singular man, an honor to his age and his kind — the only man perhaps since the human race has existed, who has had no other passion than that of reason — nevertheless wandered from one error to another in all his systems, in his desire to make men like himself, instead of taking them as they are, and as they will continue to be. He labored for imaginary beings, while believing that he was working for his contemporaries. (Book IX)

And here is the pathos of the rational cosmopolitan. Often, in his own life, he is a model of reason and virtue. But these admirable qualities are themselves a source of temptation — temptation that takes the form of the will to recreate the human race in one's own superior image. What better way to indulge this temptation than to take control of the educational system of a whole nation?

The rational cosmopolitan, believing firmly that he and his fellow rational cosmopolitans possess reason such that no reasonable person would disagree with them, and insisting that their own values are the truly universal ones, is thereby armed to do battle against the obscurantism of those who are not equally enlightened — and this means, in actual practice, against the values of those ordinary people who wish to pass those values on to their own children. Almost invariably, such values are one and all particularistic, local, traditional, parochial, arbitrary. What right do parents have to pass on such blindly acquired values to their own children? The answer the rational cosmopolitan gives is emphatic and clear: none whatsoever.

This explains why control of the child's education must be entrusted only to those who are pledged to teach them the ideals of rational cosmopolitanism — a conviction that permits the spontaneously generated and transmitted traditions of ordinary men and women to be summarily dismissed as the product of manufactured consent, to use Noam Chomsky's telling phrase. On this view, non-cosmopolitans are incapable of coming to choose their own values and ideals. Thus whatever values they claim to have are merely the values imposed on them by their wicked and self-interested puppet masters — the capitalist class or some other ideologically suitable villain.

For those who subscribe to this view, the "manufacture of consent" metaphor gives them a clear conscience to undertake the wholesale reeducation of the deluded masses in order to get them to see their true good, which — no surprise — can be secured only by following the dictates of their intel-

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lectual superiors, whose capacity to think independently is proven by their rejection of all traditional and local values and their adoption of the ideal of rational cosmopolitanism.

The irony is that the educational project that involves pushing the cosmopolitan ideal at the expense of the particularistic ideals turns out, in practice, to be simply yet another particularism — though that of an intellectual sect, and not of a nation or a religion. Nowhere is this more evident than in the practical and concrete application of the cosmopolitans' prescriptions for educating the children of everyday Americans. For the moment I begin to teach my values to your children and request that you stop teaching your own children yours, I have descended from the world of the ideal and the universal onto the terra firma of the local and the particular. It is now my agenda against yours, and for me to claim privilege because my values bear the mere label "cosmopolitan" is nonsense — unless, of course, I am willing to delude myself into thinking that I speak for the community of all human beings, of which you are no longer even allowed to be a member.

Patriotism may be the only reliable means by which the human race can be led to transcend sectarian divisions.

The moment the noble vision of the cosmopolitan ideal is instantiated in a specific recommendation, or policy, or curriculum, it thereby loses any claim to represent what is universally desired by people, and becomes a bone of contention — just another value among many.

In fact, the whole attempt to frame the question as a choice between patriotism and cosmopolitanism turns out to be illusory, because it assumes that one may have an *undivided* allegiance to the community of all human beings on the planet, when in fact this is impossible as long as human beings are capable of dividing themselves into two conflicting camps — and it makes no difference what constitutes the source of the structural antagonism embodied in this conflict. Indeed, a cosmopolitanism that can clash with patriotism, such as Nussbaum envisions, is, for that very reason, no longer a genuine cosmopolitanism. It no longer speaks for those who remain loyal to their own country, and hence becomes a merely sectarian ideology — and hardly the universal and all-encompassing faith that it aspired to be.

In fact, one can go farther. On deeper reflection, the preference for the label "cosmopolitan" over the label "patriotic" may well constitute a danger to the very values of the Enlightenment to which people like the Abbé de St. Pierre and Martha Nussbaum are so obviously committed. As the example of Rome suggests, it may well be that patriotism, by some strange dialectical necessity, is the indispensable prerequisite of constructing a higher and more universal perspective than the one given by one's family, or one's tribe, or

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one's creed, or one's race. Patriotism, in short, may be the only reliable means by which the human race can be led to transcend those lesser forms of structural antagonism that Nussbaum so rightly decries — those associated with ethnic and racial as well as tribal and sectarian divisions.

In which case the proper question to ask is not whether we choose patriotism or cosmopolitanism, but what kind of patriotism and what kind of cosmopolitanism should we choose between? The Soviet-sponsored Comintern frequently pushed an agenda that seemed remarkably cosmopolitan but was in fact simply an ideological smoke screen to forward Soviet expansionist ambitions. Americans, on the other hand, have the peculiar habit of using patriotic arguments to advance values that are genuinely enlightened by the standards of both Martha Nussbaum and the Abbé de St. Pierre: The creation of NATO, the implementation of the Marshall Plan, and the occupation of Japan were all achievements carried out under the pretext of advancing American interests — which they certainly did — and yet all were precisely the kind of activities that would have been undertaken by the rational cosmopolitan as envisioned by Kant.

And yet we must not forget Rousseau's insight. For while there may be defects in the counsel of men like the Abbé de St. Pierre — and women like Martha Nussbaum — let us not be deceived. The world is a vastly better place because it contains people whose only fault is the desire to make all people as good and reasonable as they themselves are. Yet it is precisely because they are so valuable that such rare souls must learn to communicate with those myriad human beings who are so unlike themselves, and whose passions are often quite different from those who are passionate only about reason.

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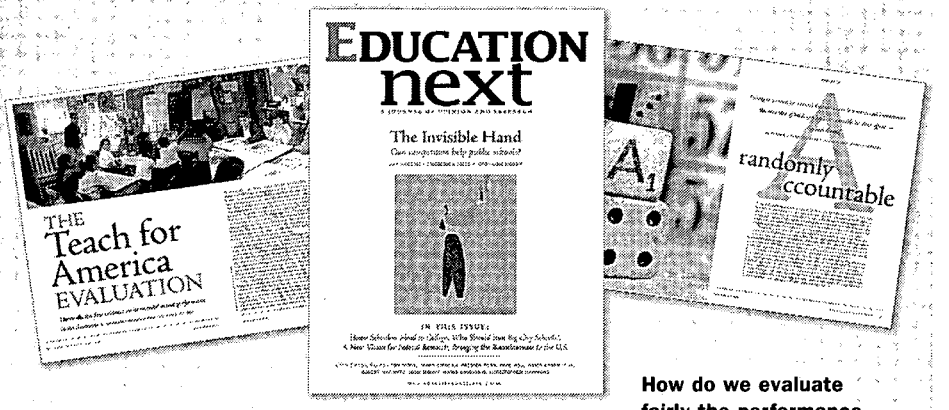

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Market Reform: Lessons From New Zealand

By RUPERT DARWALL

A DECADE AGO, New Zealand was at the forefront of cutting-edge liberalizing economic reforms, an agenda that was pursued by both the country's main political parties. First, the left-of-center Labour party, elected in 1984, deregulated, privatized, cut industry and agriculture welfare, and pushed through a major switch from an income to a consumption tax. It ended up proposing — but not enacting — a 21 percent flat rate tax. Then, in 1990, the right-of-center National government took up the reform baton with steep cuts in welfare programs and the most radical shake-up of labor law outside Margaret Thatcher's Britain. The economics worked: 4 percent growth in the mid-1990s and the fastest growth of employment in any OECD country.

But now the reformers are to be found at the margins of New Zealand politics. The current Labour government led by Prime Minister Helen Clark — containing some of the politicians most opposed to the Kiwi reforms — was reelected in a 2-1 landslide in July 2002 after three years in power.

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What happened? In fact, the New Zealand case is part of a pattern. Bill Clinton and Tony Blair reaped what Ronald Reagan and Margaret Thatcher sowed. In central Europe, reformers have been replaced by their opponents — Vaclav Klaus as prime minister in the Czech republic by Milos Zeman, and the author of Poland's Balcerowicz plan by former communist Aleksander Kwasniewski.

New Zealand's experience is instructive for free-market reformers around the world. On these South Pacific islands of a little under 4 million people has been distilled the political dynamics of market-based reform and the countervailing forces opposed to it. Does reform create or consume political capital? To what extent is reform reversible, or does it create new constituencies and permanently change the terms of political debate? Has reform reached a natural frontier at the fortress gates of big-government social welfare programs?

The economics of reform

NEW ZEALAND HAS a palpable sense of economic underperformance — of a country that has come nowhere near testing the envelope of what is possible. Its stock market has yet to recover its pre-October 1987 highs. In Auckland and capital city Wellington, it has urban areas that, given their natural setting, should be two of the most magnificent waterfront cities in the world. But neither compares to Sydney across the Tasman Sea, to San Francisco, Hong Kong, or even Seattle. Their architecture seems trapped in the 1970s, more like Santiago de Chile or Warsaw.

There aren't enough people in New Zealand. Indeed, it is one of the most underpopulated countries in the world. Take away Australia, with its vast interior deserts, and countries such as Canada, which extends into the Arctic, and New Zealand has the lowest population density of any country in the OECD. In terms of land area, New Zealand is 50 percent larger than Washington State but has just over half the population. New Zealand should be one of the fastest-growing countries in the world, a magnet for ambitious people looking for a better life. The change in migration flows with Britain illustrates the problem. From 1974 to 1980, both New Zealand and Australia were net importers of people from the UK. While Australia has continued to be a net importer, New Zealand started to lose people to Britain. Since the election of the current Labour government in 1999, the country's talent drain has worsened.

New Zealand entered the twentieth century as one of the wealthiest countries in the world in terms of income per head. On the eve of World War I, per capita income was higher than in the UK and within 3 percent of the United States. It maintained its ranking through the Depression years, and in 1950 per capita income was still 88 percent of that of the U.S. But the

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tightening grip of protectionism and corporatist policies remorselessly pushed New Zealand down the international rankings. By the 1970s, it had been overtaken by all the major European economies other than Britain, which had been suffering from a similar disease.

Not only was the New Zealand economy experiencing decelerating growth, but what little growth there was risked also becoming unsustainable. In the 10 years from 1974, overseas debt rose from 11 percent of GDP to 95 percent. For virtually all that period, inflation was in double digits. Just as Richard Nixon in the U.S. and Britain's Ted Heath produced their countries' worst economic policies of the second half of the twentieth century, so it was the purportedly pro-private enterprise National Party government led by Robert Muldoon that pushed New Zealand over the edge in 1984.

The purportedly pro-private enterprise National Party government pushed New Zealand over the edge.

Muldoon was a populist. Despite considerable political talent, he avoided taking the tough decisions required by the dire state of the economy. It meant that the National Party, nominally in favor of free markets and private enterprise, became essentially socialist, presiding over a corporatist regime of price and wage controls, welfare to buy support from business and trade unions, and extensive government control over the banking and financial system.

The collapse of the Muldoon government in 1984 set the stage for two remarkable bursts of reform led by two remarkable politicians. Although many of the individual elements of New Zealand's reforms can be found in other countries, two aspects make the reforms there unique in the West. The first is that they took place in the context of a coherent overall framework focused on economic efficiency, stressing predictability, transparency, and accountability. As a result, individual reforms became mutually reinforcing. Supply-side gains were driven by a flatter tax structure and the elimination of distorting tax breaks. Farmers accepted the phasing out of agricultural subsidies because their costs fell with the reduction of tariffs on imported manufactured goods, while the costs of transporting agricultural exports also fell as a result of the commercial management of New Zealand's ports and railways. That way, losers were also winners. As the economy was freed up and growth kicked in, the gains outweighed the losses. The reformers were influenced by economic thinkers such as Mancur Olson, Ronald Coase, and James Buchanan, and the reforms were shaped by insights from public choice theory, agency theory, and transaction cost economics. The whole process was characterized by robustness and coherence. The "scientific" nature of the reforms enabled them to be successfully directed to the core functions of government, leading to practical results.

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The second distinctive feature of the Kiwi experience is political. Economic liberalization was initiated by a party of the left. When the reforming Labour government lost cohesion and fell in the 1990 election, the reform momentum was regained by the opposition National Party, which was then able to tackle areas that a Labour government was constrained by its natural supporters from reforming, notably the labor market and welfare. In both governments, reform was driven by the finance minister rather than the prime minister. In both cases, the momentum of reform was lost and the cohesion of the government fatally undermined when the prime minister of the day withdrew support for the finance minister's reform program. While those prime ministers — Labour's David Lange and National's Jim Bolger — have been largely forgotten outside New Zealand, if indeed they have made any impact at all, their finance ministers, Roger Douglas and Ruth Richardson, put New Zealand on the map.[1]

As well as intellectual grasp and strong convictions, Roger Douglas and Ruth Richardson share an ideal of citizen-politicians who solve the problems of their country as best they can and then quit the stage once they have given it their best. "Ask yourself why you're in politics," advises Douglas. "It seems to me that too many politicians never ask themselves that question. My view is that it is better to be in politics for three years and do something, than to be there for twenty and do nothing." As Ruth Richardson puts it: "Prepare to be a pioneer. Political bravery reaps dividends. Do it once. Do it properly and use up your political capital doing something useful."

The economic impact of the Douglas/Richardson reforms was far-reaching. Government subsidies to industry and agriculture fell from 16 percent of government spending to just 4 percent. This was achieved especially through the drastic reduction of farm subsidies, which fell from NZ$1.2 billion (about $670 million U.S. at current exchange rates) in 1983 to NZ$206 million (about $115 million U.S.) in 1990. New Zealand remains the only developed country to have scrapped farm support, a political achievement all the greater given that agriculture is New Zealand's largest sector. The move also revealed the malign economics of farm welfare and

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[1]The decisive role of the finance minister — or equivalent post — is common to countries with a Westminster form of parliamentary government. The finance ministry drives not just macroeconomic policy, but also microeconomic supply-side reform. Leszek Balcerowicz, for example, was finance minister in the reforming Solidarity government. Thus a government's performance is driven by the quality of its finance minister. For this reason, if Tony Blair's government is judged to be better at words than actions on the economy, the blame should not be laid at the doorstep of No. 10, but at that of his next-door neighbor in Downing Street, Chancellor of the Exchequer Gordon Brown. Tony Blair's ideology is sufficiently elastic to provide PR cover for a reform-minded chancellor in the mold of a Roger Douglas. But that would require a chancellor who is willing to expend political capital on his day job and not hoard it to try for the top spot.

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the benefits of injecting market economics into agriculture. Since abolition, agriculture has increased its share of New Zealand GDP, and total factor productivity growth (labor and capital) averaged 6.3 percent a year for the first nine years of the reforms.[2]

Tax reform gave New Zealand one of the flattest tax structures in the developed world. The top rate of income tax was halved from 66 percent to 33 percent. Tight control of government spending under Ruth Richardson reduced government spending (excluding debt service), which had peaked at just under 40 percent of GDP, to 35 percent — and trending down to 30 percent if the reform momentum had been maintained. Together with higher growth, the liberalization of the labor market and welfare reform to encourage active job-seeking by the unemployed resulted in rapid job creation. Minority groups particularly benefited from the improved performance of the labor market. Unemployment among the indigenous Maori and Pacific Island people dropped by 10 percentage points. In 1995, Maori had an employment growth rate double that of non-Maori.

The politics of reform

So much for the economics. What about the politics? Given the economic success of the reforms, why was the reformers' legacy inherited by their opponents? To what extent were the reformers able to constrain their successors from turning the clock back?

The reform momentum came to an abrupt halt immediately after the 1993 election. New Zealand has a three-year election cycle — not long enough for voters to appreciate the fruits of good policy or to live with the consequences of bad policy. Jim Bolger, National's prime minister, won the election by one seat. He put his narrow victory down to reform fatigue and decided to shift Ruth Richardson from the Treasury. Instead, she decided to quit politics altogether once her landmark Fiscal Responsibility Act had passed. Bolger had also promised a referendum that switched the voting sys-

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[2]As with the former communist countries of Eastern Europe, GDP numbers don't capture the value of the wider choice consumers have in spending their money. By their nature, improvements in the quality of life are difficult to quantify and tend to be ignored. These are real enough to young New Zealanders. Since the reforms, New Zealand has become one of the few countries in the world that allows the commercial importation of second-hand autos. The country therefore became an extension of the Japanese used car market, making auto ownership much more affordable to young New Zealanders, who have switched from motorcyles to second-hand Japanese cars. Since 1984, the number of motorbikes has halved and usage has fallen even more sharply. Motorbike injuries and fatalities have fallen by over 75 percent, a powerful example of how economic reform has improved the quality — and length — of life.

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tem to proportional representation, thus lumbering New Zealand with an electoral system institutionally destructive of good government, as would be seen after the first election held under the new procedures.

What followed the 1993 election was a long, drawn-out farewell to principle. The National Party's professional politicians thought that making such compromises would be politically smart. It was a judgment that was to have a heavy economic and political cost. The first thing to go was tighten control over public spending. A government's ability to control spending is the touchstone of its worth: It requires political will to control it, but the economic consequences of transferring a higher proportion of national output from the private sector to the public sector are invariably damaging. Under Ruth Richardson, spending estimates were undershot. Under her successors, the upward creep of public spending began to exceed estimates. It started to affect economic performance. Instead of reversing New Zealand's relative economic decline, the net effect of the reforms and the post-1993 policy weakening was to stabilize its international position — a case of keeping up, not catching up.

What followed the 1993 election was a long, drawn-out farewell to principle.

The political trade-off turned out to be illusory as well. Both Roger Douglas and Ruth Richardson sold their bold reforms as a package. Voters could join up the dots and see it made sense. They were left cold by the subsequent nuances of political compromise.

The 1996 election, the first fought under proportional representation, brought a defeat for the National Party. But the party clung to office by striking a deal with the populist New Zealand First Party, notwithstanding that the latter had campaigned on a pledge to evict National from government. The National government couldn't survive the compromises it had made. It duly collapsed at the 1999 election.

What had this unnatural extension to its life achieved? Essentially, it paved the way for a decisive Labour victory, just as John Major in Britain and the first President Bush prepared the ground for their parties' defeats. Such compromises can be especially lethal to parties that generally espouse free-market policies, as their opponents carry more conviction in calling for government intervention and tend to be better at appealing to softer values such as fairness.

Meanwhile, Labour had reverted to its pre-Roger Douglas belief in an activist, bossy government. Helen Clark rebuilt the party on the rump that had opposed the Douglas reforms and governed in coalition with the Alliance grouping, which was formed by left-wing refuseniks who had quit Labour during the 1980s. Her government's attitude toward the reforms is therefore decidedly ambivalent. On one hand, the reformers are systematically attacked as being neo-liberal Neanderthals. On the other, there is

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acceptance of some of their work, particularly on the management of public finances. Thus the current finance minister, Michael Cullen, can declare with one breath that "the New Zealand model of extreme market liberalization is no longer sustainable for one simple reason: It does not work." Then, in the next, he can say that "at the macroeconomic level the government is continuing with a program of fiscal conservatism and monetary orthodoxy."

So there is no debate now in New Zealand about the benefits of low inflation, prudent levels of public debt, and sustainable public finances. In this regard, New Zealand has gone from having one of the worst records in the OECD to one of the best, an outcome which the reformers set out to entrench by creating a new institutional framework. The central bank was given operational autonomy and an explicit mandate to deliver price stability. The Fiscal Responsibility Act requires the government to publish long-term objectives for key fiscal indicators, such as the level of public spending, taxes, and debt. Such disclosure, with the provision of regular, transparent financial statements, changed the nature of the political debate. According to Ruth Richardson, the act's author, "The act has radically altered politicians' budgetary behavior. Since the act has been in force, New Zealand has run eight successive budget surpluses, a significant break from decades of deficits. Fiscal responsibility is regarded as the political norm and the requirement to publish fiscal strategy over the longer term has helped to curtail the chronic short-termism that generally characterizes political decision making."

The New Left has generally eschewed budget deficits and inflationary finance.

The economic debate in New Zealand therefore has been narrowed to what the state's claims on the country's resources should be and how the resources it appropriates should be managed. It is a step forward that politicians who argue for a higher share are now forced to finance it honestly, without recourse to inflation or unsustainable levels of borrowing. In this respect, the New Zealand Labour Party is not much different from its Labour cousin in Britain, which implemented a variant of central bank independence for the Bank of England, or indeed from the Clinton administration. Whether the Clark government needed these legislative constraints is a matter of conjecture. The New Left has generally eschewed budget deficits and inflationary finance. Whether out of principled conversion or pragmatic adherence to the new rules of the game, its conformity with these fiscal norms makes it a much harder target for opponents. The existence of fiscal and monetary rules imposes a discipline on the governing party and its coalition partners, which strengthens the hand of the leadership and curbs any fissiparous tendencies toward faction within the party.

The consensus between the government and the reformers on macroeco-

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nomic management is not found on microeconomics. Prime Minister Clark has no truck with economic liberalization: "Whilst some still hanker after lower taxes and further deregulation as the key economic prescription, I believe many more are seeing the strategic focus the government is adopting and the policy interventions which accompany it as more likely to contribute to sustained growth." Whereas the reformers were animated by trying to reduce the incidence of government failure, the current government tries to locate blame on market failure. Thus the finance minister, Michael Cullen, has derided the economic impact of the reforms. "Productivity growth during the 1990s has been pathetic," he told a group of Australian CEOs. Without government intervention, businesses will just focus on cutting costs and not adding value. New Zealand, Cullen claimed, will be turned into a deindustrialized husk engaged in "commodity extraction and simple transformation." Of course, when lots of jobs are created, measured labor productivity growth, being an average over the whole economy, will tend to fall. But productivity growth in old sectors that are restructuring is likely to rise. That's precisely what happened in New Zealand. Don Brash, governor of the central bank, points out that after the reforms, average labor productivity improved by little more than 1 percent a year, but "productivity in agriculture improved by almost 4 percent per annum — a rate of productivity growth which, if achieved across the economy as a whole and sustained for a decade, would easily see [New Zealand's] per capita incomes reach the OECD median within a decade."

The Clark government has yet to present a coherent alternative to the market.

The Clark government has yet to present a coherent alternative to the market. There is the standard New Left boilerplate about overconsumption (what, after all, is the purpose of economic activity?), inadequate capital formation, and panaceas such as "smart partnerships" and integrating "the skills development system, the science and technology system and the financial system." All the talk about systems integration masks the futility of attempting an interventionist industrial policy in a modern Western democracy. True, Japan and Southeast Asia have been examples of high-growth economies subject to government intervention. But many of them are now trying to move away from this model. Indeed, Japan's decade-long difficulties have been exacerbated by its inability to do so. It is a different matter trying similar policies in a mature Western democracy. Insofar as industrial policy has had successes, it has only been in countries where it has been grafted onto pre-democratic structures.

So what does the new policy amount to? Its main impact has been on public spending. Helen Clark came to office promising to increase public spending by NZ$5 billion ($3.35 billion U.S.). Having troughed at 32.5

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percent of GDP, public spending is now 37 percent of GDP. The Clark government said it was not in the business of picking winners. However, its largest intervention to date has been to pick a loser, when last year it renationalized Air New Zealand. Similarly, for all the talk about skills and investing in people, one of the government's first decisions was to increase the top rate of income tax from 33 percent to 39 percent. Reducing the after-tax return on human capital is hardly conducive to rewarding investment in human capital. The new top rate cuts in at $30,000 U.S. — equivalent to 60 percent of average New Zealand incomes but less than one-third higher than the average Australian salary. A small English-speaking country with a culture that encourages young people to travel widely cannot afford uncompetitive tax rates. In the modern world, tax increases in New Zealand have the effect of increasing the supply of ambitious New Zealanders in Australia and London.

Business leaders have not been impressed with the prospect of being bribed with their own money.

Decelerating growth since the mid-1990s has put slowing growth on the political agenda. Helen Clark has set herself the "simple goal" of getting New Zealand back into the top half of the OECD. Her government's acceptance of the reformers' institutional framework promoting macroeconomic stability is a necessary condition to raise New Zealand's growth. It is not sufficient. The New Left's brand of collectivism without ideology has turned politics into an exercise in using government programs to build political support among business and social constituencies and encouraging negative-sum rent-seeking by special-interest groups. It is therefore in direct conflict with a genuine pro-growth agenda, which involves the removal of government-sanctioned economic privileges.

In the field of industrial intervention, this strategy has not worked. The political payback the government might have expected has not been forthcoming. In the main, business leaders have not been impressed with the prospect of being bribed with their own money or weighing down the economy with a raft of privileges. The experience of the gains to business as a result of economic liberalization appears to have altered business lobbying behavior. The most effective business organization in this respect is the New Zealand Business Roundtable, which is a direct product of the reform years. It has campaigned against tax breaks for research and development and the restoration of export guarantees and is strongly pro-free trade. Although demonized by Helen Clark, the organization has frustrated the government's aim of winning approval from business for its interventionist instincts. As a result of the limited political upside, the government's reversal of market liberalization has been more limited than it might otherwise have been. On trade, for example, while planned tariff reductions on textiles and footwear

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have been frozen, the government has not moved in the opposite direction. Instead, the Clark government has had more political success in feeding a grievance culture with the indigenous Maori minority.

But for the Maori, as indeed for all New Zealanders, the best solution is more rapid economic growth and the freeing of public services, especially education, from the grip of provider interests. Indeed, the reformers' frustrated efforts in the field of public services such as health and education demonstrate the strength of producer interests (such as teachers' unions). These have to be overcome. New Zealand's experience provides a powerful lesson in the use of political capital. Politicians can successfully use their capital to transform structures and institutionalize consumer choice. But politicians can't stretch their political capital to provide constant management oversight and direction of unreformed structures. Bureaucracies get captured by producer groups and temporary gains get eroded over time, the net result being a costly overlay of extra administration. The New Zealand experience does not bode well for the sustainability of any gains from the national education standards provided by the No Child Left Behind Act in the U.S.

Getting "super" wrong

LABOUR'S MOST POWERFUL electoral weapon is social security — superannuation, as it is known in New Zealand. Unless approached with principle and courage, the politics and the policy pull in entirely opposite directions. The National Party currently has neither, leaving it highly vulnerable to Labour. Twelve years ago, National experienced the lethal nature of social security if handled badly. Before the 1990 election, the party had agreed to support a Labour policy of tightly targeting social security on the needy. But in the middle of the election campaign, Jim Bolger, National's leader, overturned this position and pledged a generous and universal social security provision. His new policy was unaffordable and had to be dropped soon after National took office. Bolger's credibility never recovered, and the flip-flop was a major factor in National's wafer-thin majority in 1993.

Going into last year's election, National repeated the mistake. Labour pitched its "65/65" policy, under which married retirees receive 65 percent of average net of tax earnings from the age of 65. It then set up a massive government-directed fund, which at its peak is projected to represent nearly 50 percent of GDP. The scheme has all the inherent defects of defined-benefit schemes with the moral hazard that politicians will have ultimate responsibility for managing enormous amounts of capital. The government ends up borrowing from the debt markets to try to get a higher return on the equity market. The fund's investment decisions will have a large weight in the total investment flows in the New Zealand economy. It gives the public the illusion of an implicit contract that underpins the benefit payments, although

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there is no relationship between what's in the fund and what's paid out. By making permanent the role of government, it undermines personal responsibility for individuals to save for their retirement. But it was politically smart.

In a Bolger moment, National's new leader, Bill English, pledged to match Labour: "We won't touch superannuation — we have agreed with Labour on the 65/65 formula." It was, he said, a matter of trust and his party's need to persuade older voters to back him. "Once they do believe that I won't touch national super," he claimed, "they will agree with us about a whole lot of other issues." The problem is, that belief is hard to come by. According to one poll, 70 percent of New Zealanders under 45 believe there will not be a pension for them when they retire. When conservative politicians stake their credibility on a pledge that people are skeptical can be delivered, they undermine their credibility across all issues. On the other hand, they gain voter confidence when they acknowledge there's a problem and have a policy to fix it.

Copying Labour on social security compromised the economics of National's warmed-over supply-side policies. There is an inherent contradiction between 65/65 and National's promise to put a lid on public spending. To cast its objectives in terms of a 10-year tax target of a top rate of 25 percent is tantamount to having none. No New Zealand government has lasted that long in 30 years. If cutting marginal tax rates is good for growth, it makes sense to cut taxes more quickly. The delay precluded National from selling a tax-cutting agenda as stimulating growth and making all citizens better off.

In 2002, National implicitly accepted the terms of the debate set by Labour rather than offering an alternative vision. After National matched Labour on social security, Labour could argue that National's tax cuts were unaffordable and irresponsible. National was buried in a 2-1 landslide, a victory that caught the attention of politicians such as Britain's Tony Blair, who saw how left-of-center governments could raise taxes and still win elections.

Squandering a legacy of reform

After this crushing defeat, what is the legacy of the liberal reformers? New Zealand politics has been permanently altered by the reforms of the 1980s and early 90s. The cycle of macroeconomic crises caused by weak public finances is a thing of the past. As one observer put it, the retreat from reform would not produce "a blow-out that would land us in the ditch. Rather, the air will slowly go out of the tires." Yet the effect on the political parties has been made more problematic by raising the electoral hurdle for a pragmatic right-of-center party to win power. Economic crisis is not going to get them elected.

But the right in New Zealand assisted the left's recovery and current

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ascendancy by rendering their own market principles inoperable, as these bore a diminishing resemblance to what they actually did when they were in government and to their policies when in opposition. They squandered the legacy of low public spending, which corroded their political standing and has become an increasing drag on growth. Above all, they ceded the political high ground by failing to articulate positions based on principle. It therefore made sense for the electorate to choose Labour. As a party which had greater consistency between what it said and what it does, Labour could deliver a more decisive style of governance.

The linkages between rhetoric, principles, and political advantage can sometimes be subtle and complex, but when sheared apart, the results are disastrous. The turbulence of democratic politics exposes such parties — and voters make their choices accordingly.

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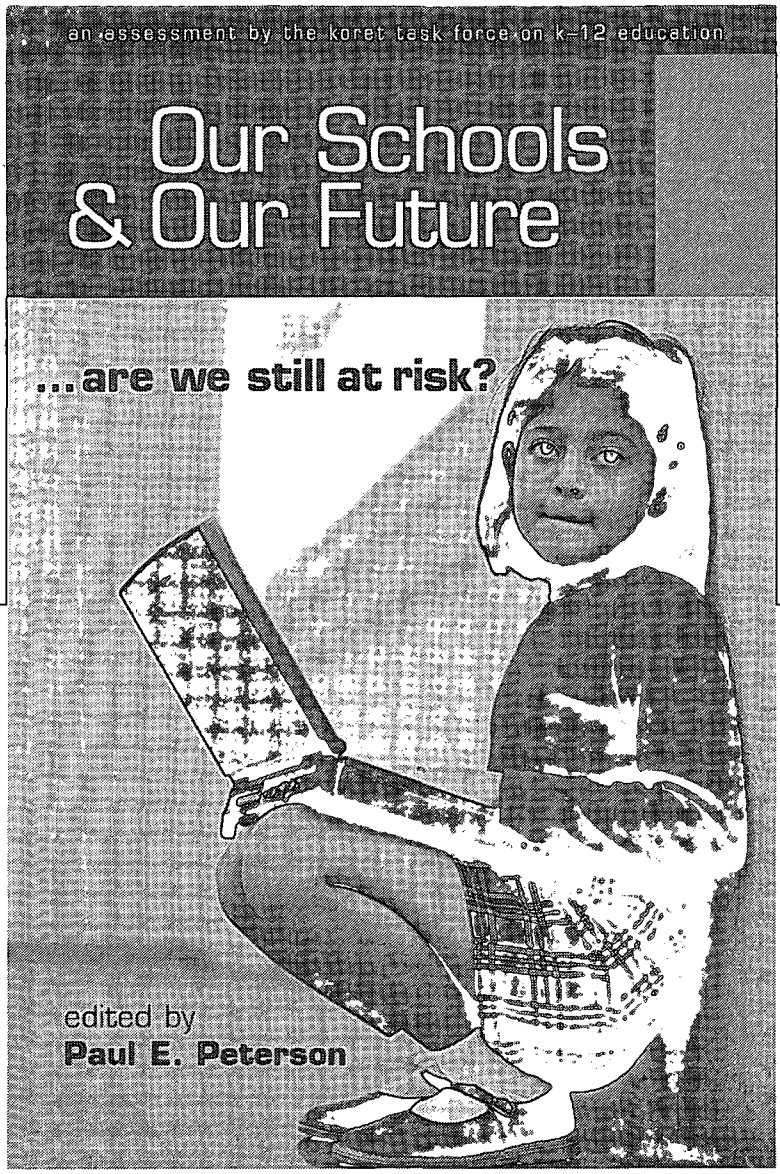
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BOOKS

Leo Strauss And the Conservatives

By STEVEN LENZNER

JOHN ALVIS AND JOHN MURLEY, EDITORS. *Willmoore Kendall: Maverick of American Conservatives.* LEXINGTON BOOKS. 278 PAGES. $24.95

IN AN ACT of piety towards a teacher worthy of it, John Alvis and John Murley have edited a collection of essays that honor Willmoore Kendall by taking his teaching seriously. The contention of the volume, amply borne out by the contributors' fine essays on Kendall's thought and by his own writings, is that Kendall is an unjustly neglected figure in the pantheon of American conservatism. The editors describe their book as an attempt "to understand Kendall's work and to place him in context both as a Founding Father of American conservatism and as a leading post-World War II political theorist."

In the same breath that one pronounces the attempt a success, one must note that in a peculiar way Kendall himself undermines its effort to evaluate his achievement. For in addition to the essays and the preface by Kendall's most famous student, William F. Buckley Jr., the volume contains the fascinating correspondence between Kendall and the political philosopher Leo Strauss. The reverent manner in which Kendall treats Strauss cannot but direct the reader away from his own work to that of Strauss. Given that Kendall at times displayed a considerable aptitude for self-destructive behavior, it is fitting that he should posthumously frustrate the attempt to do his thought justice.

Or perhaps not, for the correspondence — in which Kendall time and again expresses his profound indebtedness to and admiration of Strauss — suggests that Kendall would rather be remembered as a facilitator of Strauss's enterprise than as a champion of American conservatism. And its publication should contribute to that end, as it shows the considerable pains to which Kendall — a man with his own academic battles aplenty — went to further what he regarded as Strauss's counterrevolution to Machiavelli. Kendall's conservatism is far better known than his connection to Strauss, so the most significant contribution of *Willmoore Kendall: Maverick of American Conservatives* is the story of Kendall's truly remarkable conversion to, for lack of a better word, "Straussianism."

STRAUSS IS WELL known for being "in the odor of conservatism," as he once put it, but

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his relation to the right is much misunderstood. Since Kendall was the only member of the American "conservative movement" with whom Strauss was closely associated (his students excepted), the publication of their correspondence affords a convenient opportunity to address Strauss's ambivalent alliance with the American right. In fact, the Strauss-Kendall correspondence is the immediate source of the first of the two thematic statements Strauss published concerning the meaning of conservatism. Strauss provided the statement in a very formal 1956 letter to Kendall, a *National Review* senior associate, objecting to the journal's antipathy towards Israel. (Strauss subsequently acceded to Kendall's request that it be published as a letter to the editor.) Strauss there takes *National Review* to task for failing to live up to the principles of conservatism insofar as its "authors who touch upon the subject are so unqualifiedly opposed to Israel."

Anyone who has spent time with academics knows that they characteristically defend their opinions with a ferocity that would rival the attachment of a she-bear to her cubs. For them, openness is honored loudly but almost exclusively in the breach.

In the words of the volume's editors, the Strauss-Kendall correspondence documents "the record of a tutelage made unique because it was undertaken so late." Anyone who has spent time with academics knows that they characteristically defend their opinions with a ferocity that would rival the attachment of a she-bear to her cubs. For them, openness is honored loudly but almost exclusively in the breach. Kendall was a rare exception. He was as prominent a critic of "the open society" as one could find in academia as well as the most renowned exponent of what he termed "egghead McCarthyism." Partly as a result, his colleagues loathed him — so much so that in 1961 Yale agreed to buy out Kendall's tenure for the then-lordly sum of $42,500. Yet, among American scholars of his generation Kendall alone was open-minded enough to appreciate Strauss's greatness.

Though Kendall pays many tributes to Strauss both in public and private ("I never let a day pass without spending an hour with you, and that never fails to be the most profitable hour of the day"), perhaps nothing reveals his rare open-mindedness better than this avowal, made in 1960: "How I wish I might have come to you as a pupil just, say, after my *Locke* book, when I gave up on the sort of thing I had attempted in it because it seemed to me, looking out over the land, that it was an irrelevancy!" To appreciate this remark

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properly one must take into account that it was *John Locke and the Doctrine of Majority Rule* — which Kendall published in 1941 at age 32 — alone that established Kendall's reputation as a scholar; moreover, it was perhaps the finest thing he ever wrote. How many Ivy League professors in their fifties could imagine, let alone admit, experiencing remorse over the chance they missed to begin their graduate studies anew upon the publication of their widely celebrated first book?

Kendall did more than correspond a good game. He devoted considerable resources to forwarding what he understood to be Strauss's project. He used his dual character as Yale professor and conservative leading light to promote the work of Strauss's students. He published three articles treating Strauss's work: a review of *What Is Political Philosophy?*, a review essay of *Thoughts on Machiavelli*, and an examination of *Natural Right and History*'s sub-chapter on John Locke in "John Locke Revisited," Kendall's quasi-autobiographical survey of 26 years of Locke scholarship. These writings show a grasp of Strauss's teaching and of the scope of his achievement that far exceeds that typically possessed by Strauss scholars today. Inspired by, as he wrote to Strauss, "your own work and that of your pupils," Kendall co-founded the University of Dallas's Ph.D. program in politics and literature, a program that remains a stronghold of what may be described as Catholic Straussianism. To name one last point, upon resigning from Yale and contemplating permanent settlement in Spain, Kendall conceived the plan to have all of Strauss's works translated into Spanish. This venture was never completed, though the translation of the work most dear to Kendall and most important simply was accomplished: *Thoughts on Machiavelli* (*Meditacion sobre Maquiavelo*).

In order to understand Kendall's relation to Strauss it is almost sufficient to turn to *Thoughts* and Kendall's reaction to that work. Indeed, the manner in which Kendall treated *Thoughts* suggests that he may have viewed his relation to Strauss — "I regard myself as an errant pupil of yours" — through it. Kendall, to his great credit, was the first to see that *Thoughts* was *the* great work of Strauss; it is the work, above all, in which Strauss the teacher comes to the fore. In the correspondence Kendall even referred to *Thoughts* as "Strauss's *Discourses*," thereby equating it with Machiavelli's *Discourses on Livy*, a work Strauss regarded as an unsurpassed model of "perfect speech." To this day, I do not know of a single scholar, Harvey C. Mansfield excepted, who has as clearly as Kendall recognized or expressed the reasons why *Thoughts on Machiavelli* deserves pride of place among Strauss's works.

Kendall concluded his first publication on Strauss, a 1960 review of *What Is Political Philosophy?*, with a brief discussion of *Thoughts* that culminates in the gifted judgment that Strauss is "*the* great teacher of political philosophy, not of our time alone, but of any time since Machiavelli." Having recognized the affinity between the teacher Machiavelli and the teacher Strauss, Kendall could not have failed to reflect upon the exceptional quality of his own adherence to Strauss when reading in *Thoughts* that, "Owing to

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'the envious nature of men,' [Machiavelli] cannot expect to find his first adherents among the men of his generation. He can come into his own only after the natural death of his generation, the generation of the desert, as it were. He must appeal to the elite among the coming generations." It is worth noting that in both the correspondence and subsequently published works, Strauss described his own educational endeavor in virtually identical terms; for example, Strauss wrote to Kendall in 1959: "But as you rightly state we cannot give up the fight and we must be happy if we can save that tiny minority which is the cream of the younger generation."

Kendall's fascination with Thoughts on Machiavelli *is a constant presence in the correspondence from his first mention of it in February 1959 until Strauss received Kendall's draft review in November 1964.*

Kendall's fascination with *Thoughts* is a constant presence in the correspondence from his first mention of it in February 1959 ("I have the honor of reviewing your *Machiavelli* for the *Philosophical Review*. I am quite drunk on it") until Strauss received Kendall's draft review in November 1964. Though timeliness may not have been Kendall's forte, he cannot in this instance be accused of neglect. Presumably from his moment of initial inebriation, Kendall recognized that *Thoughts on Machiavelli* was an achievement that could not be appreciated on the quick. His own behavior is sufficient proof that his celebrated remark, "the reader who open-mindedly sets down to check it all may give six months of his life a goodbye kiss," was a deliberate understatement.

Kendall's review rightly stressed that Strauss had proved Machiavelli's writings to be "elaborate ventures in 'hidden writing.' " And Kendall recognized that in order to understand Strauss one must be willing to read him in the manner in which he read Machiavelli. (In this light, it is worth drawing attention to Strauss's comment to Kendall in 1960: " 'once a hillbilly always a hillbilly,' once a man writes in the forgotten manner he is likely to do it always." This statement's implications for the study of Strauss's writings can hardly be overstated, especially as there now exists persuasive scholarship showing that Strauss employed the "forgotten kind of writing" in publications at least as early as 1941.)

Kendall also claimed, less persuasively, that Strauss held that Machiavelli and his "modern" co-conspirators had set out "to destroy" and succeeded in destroying "the influence of The Great Tradition (that is, the classical-biblical tradition) in the world of the intellect" and that the chief intention of Strauss's own enterprise was to undo the damage done by the Machiavellian revolution. Kendall is insufficiently attentive to the manner in

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which Strauss's Machiavelli learns and adopts from "The Great Tradition" — most obviously, though by no means exclusively, from Xenophon: Machiavelli's break from the classics is neither complete nor unproblematic, according to Strauss.

Likewise, Kendall is insufficiently aware of the fact that Strauss's practical opposition to Machiavellianism — his being "inclined to the old-fashioned and simple opinion that Machiavelli was a teacher of evil" — was of less importance to Strauss than his understanding of, and appreciation for, the greatness of the teacher and philosopher Machiavelli: "We are in sympathy with the simple opinion about Machiavelli, not only because it is wholesome, but *above all* because a failure to take that opinion seriously *prevents one from doing justice to what is truly admirable in Machiavelli*: the intrepidity of his thought, the grandeur of his vision, and the graceful subtlety of his speech." It is not accidental that Strauss's letter thanking Kendall for his review includes a gentle but telling criticism that undercuts the extremely high praise it offers: "It goes without saying that you have understood . . . its essence perfectly. I can see you reading Machiavelli's clevernesses when you became aware of them exactly as I did: 'I'll be darned.' " Strauss's criticism concerns Kendall's insufficient appreciation of the role argumentation — and hence cleverness — plays for the teacher Machiavelli. For despite its remarkable merits and Strauss's polite exaggeration to the contrary, Kendall's review does not — at least in regard to Machiavelli's work — resonate with the continuous joy of discovery that, above all, characterizes the whole of Strauss's *Thoughts*.

Strauss's 1956 letter on Israel and conservatism is his first included in the volume; it apparently gave rise to the more or less regular correspondence the two men enjoyed until Kendall's death in 1967. As noted, that initial letter criticized *National Review* for its hostility to Israel from what Strauss "took" to be the point of view of a conservative: Strauss wrote not as one conservative addressing another, but as an outsider. Though not originally intended for publication, as something Strauss "felt it was my duty" to write, the letter is composed with more than ordinary care. Employing three times the same formulation, Strauss identified the characteristic features of the conservative mind. "A conservative, I take it, is a man who believes that 'everything good is heritage' . . . who despises vulgarity . . . who knows that the same arrangement may have very different meanings in different circumstances."

To understand why Strauss is not a conservative one need only consider the belief that "everything good is heritage." Sympathetic as Strauss may have been to that belief, he did not share it; as he wrote in *Natural Right and History*, classical "philosophy appeals from the ancestral to the good, to that which is good intrinsically, to that which is good by nature." Philosophy employs reason to seek the good; conservatism identifies the good with the inherited or the traditional. Philosophy thus calls into question what conservatism holds to be good, even when practically they stand together. Conservatism accordingly has a tendency to distrust philosophy or the

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claims of reason. This attitude was particularly pronounced among the conservatives of Strauss's era.

Why those conservatives found Strauss's teaching attractive is not difficult to understand. One can quickly list the most obvious sources of his appeal: Strauss's rehabilitation of the concept of tyranny provided an intellectual ground upon which to oppose communism; Strauss powerfully critiqued the reigning moral relativism and helped reintroduce into polite (and political) conversation questions of virtue and character; he and his students took seriously the principles and the thought informing the American regime and their studies showed why that thought deserved to be taken seriously; and, last but not least, Strauss's questioning of the new, the modern, and the fashionable and his revitalization of the "ancient" or pre-modern and classic — that is, of the Great Tradition — could not help but appeal to conservative sensibilities.

One even discovers in Strauss a preference for liberalism, properly understood, to conservatism. Strauss points to an essential limitation of conservatism: Conservatism lacks a substantive identity.

Yet for all that, Strauss never identified himself as a conservative nor did his writings frequently address the subject of conservatism. Other than the *National Review* letter on Israel and his brief preface to *Liberalism Ancient and Modern*, one can find only occasional remarks that speak explicitly of conservatism. That is not to deny, of course, that other of Strauss's writings — most notably, his sub-chapter on Edmund Burke in *Natural Right and History* — are of critical importance for understanding Strauss's view of, and relation to, contemporary conservatism.

If one takes a glance at *Liberalism*'s preface, one even discovers in Strauss a preference for liberalism, properly understood, to conservatism. Strauss there suggests that the common opposition between conservatism and liberalism could usefully be replaced by that between conservatism and progressivism: "For if conservatism is, as its name suggests, aversion to change or distrust of change, its opposite should be identified with the opposite posture towards change, and not with something substantive like liberty or liberality." Strauss in this way points to an essential limitation of conservatism: Conservatism lacks a substantive identity.

Liberalism's substantive identity is ambiguous. Strauss underscores this ambiguity by observing that "Liberal education is not the opposite of conservative education, but of illiberal education. To be liberal in the original sense means to practice the virtue of liberality." To the extent that liberalism can be successfully defined with reference to liberality, it holds out greater promise as a basis of healthy and successful politics than does conservatism, without

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being opposed to conservatism: "Being liberal in the original sense is so little incompatible with being conservative that generally speaking it goes together with a conservative posture."

But there is all the difference in the world between being of "a conservative posture," as Strauss decidedly was, and "thinking" in a conservative manner. In *Natural Right and History*, Strauss wrote: "Socrates, in particular, was a very conservative man as far as the ultimate practical conclusions of his political philosophy were concerned. Yet Aristophanes pointed to the truth by suggesting that Socrates' fundamental premise could induce a son to beat up his own father, i.e., to repudiate in practice the most natural authority." Similarly, Strauss's general respect for sound conservative policy and decent traditions never blinded him to the defects inherent in conservatism. In his "Preface to Spinoza's Critique of Religion," Strauss even identified "the typical mistake of the conservative." It "consists in concealing the fact that the continuous and changing tradition which he cherishes so greatly would never have come into being through conservatism without discontinuities, revolutions, and sacrileges committed at the beginning of the cherished tradition and at least silently repeated in its course."

Though the publication of Strauss's correspondence with Kendall naturally raises the question of his relation to American conservatism, it is striking how few of the letters touch upon the question of conservatism and contemporary politics. In September 1963, Strauss was moved in large measure by the pending ratification of the test ban treaty to express his deep distaste for the Kennedy administration:

> My private formula for Kennedy and what he stands for is "image." Buckley with his great power of invective should write an article confronting the concept of "image" with that of "a decent respect for the opinion of mankind" and making clear that "image" is even lower than "an indecent respect for the opinion of mankind," for such an indecent respect might come from sheer fear which is a much more decent motivation than the disgraceful delusionism now rampant in Washington.

However unusual it is to witness Strauss speaking of contemporary political controversies, the purpose that induced him to make the suggestion to Kendall was perfectly characteristic: "One little point has occurred to me, which cannot have wide popular appeal but might have some usefulness regarding the younger people, say the college population."

In another letter Strauss addresses the question of what constitutes a healthy American conservatism. Are American conservatives better advised to seek guidance chiefly from the Declaration of Independence or from the Constitution? Strauss writes to Kendall in 1964 of

> the tactical disadvantage of a man who wishes to base conservatism on the Declaration of Independence and hence on Locke. . . . From this point of view The Federalist Papers, based as they are on Montesquieu, are preferable, especially if one considers that they give the interpretation of the

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Constitution, and the D of I is not strictly speaking a constitutional document. (By this I do not wish to deny, of course, that the D of I carefully and soberly read is quite conservative.)

Strauss's comment is sure to cause debate, not least of all amongst his students. Yet *Willmoore Kendall: Maverick of American Conservatives* leaves no room for doubt as to the rare quality of Kendall's soul. It is a moving account of the limitations and virtues of conservatism.

The Oblivious Voter

By Benjamin Wallace-Wells

Thomas E. Patterson. *The Vanishing Voter: Public Involvement in an Age of Uncertainty.* Knopf. 256 pages. $25.00

During the presidential election of 2000, Thomas E. Patterson, a political scientist and voter-turnout specialist who had recently moved from the University of Minnesota to Harvard's Kennedy School of Government, set himself an ambitious task. He would use a rigorous pattern of regular telephone interviews with ordinary citizens around the country to gauge the shifting psychologies of the American electorate over the course of the campaign. Unlike most pollsters, Patterson wasn't concerned with which candidates the voters found appealing or even with which issues mattered to them most. Patterson's aim, instead, was to track how much voters knew about the candidates and issues at different moments during the campaign, to ask what made them pay more attention to the race and what made them pay less attention, and to use those responses to figure out why American voter turnout is so radically low when compared to other Western democracies — a discrepancy which only seems to be growing.

It was a unique and useful project, the results of which have now been published in *The Vanishing Voter*. Patterson develops a detailed, convincing chronological map of the moments during the campaign when voters were more or less involved with the presidential race. He's drawn some sensible conclusions from the responses — the presidential race is too long, he says, and seems distant to too many voters — and suggests some interesting structural ways to fix the process. But the questions Patterson asks may not be broad enough and the solutions he proposes, consequently, may be far too slight.

The impulse for Patterson's study, run out of the Kennedy School, is a pretty alarming trend which has inspired a great deal of academic inquiry and public-intellectual brow-knitting. Since 1960, despite a deliberate slackening of the rules governing voter registra-

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tion, despite rising levels of educational attainment across the country, and despite the abolition of racial barriers to voting, the percentage of eligible Americans who actually cast a ballot has declined steadily. In 1960, according to Patterson's statistics, 63 percent of eligible voters actually voted; in 2000, just 51 percent did. What's more, with only two exceptions (1992 and 2000), the percentage of eligible voters who cast ballots in each presidential election was lower than in the immediately previous election.

Some essayists have suggested that perhaps this isn't so dreadful — Patterson quotes the objections of two of the more prominent, George Will and Robert Kaplan. Both Will and Kaplan have argued elsewhere that low voter turnout may be the mark of a mature democracy — people vote largely when something they value is at risk, and when government hums healthily along, responding to the demands of diverse interest groups, fewer people feel compelled to vote. The political scientist Eric Plutzer takes a more muted position along similar lines: "People have been voting less and less for 30 years, and our democracy hasn't exactly gone in the toilet," he told me in a recent interview.

Patterson doesn't have much time for these arguments. His concern is that low voter turnout leaves American government susceptible to hijacking by particular, minority interests. Ross Perot, he argues, came pretty close to being president, and Patterson doubts that too many Americans really thought a Perot presidency was a very good idea.

But Patterson has a more immediate worry, too. Low voter turnout, he says, means that groups of people who have problems with getting representative numbers to the polls are likely to have issues that concern them ignored: the young, for instance, and racial minorities. There's a certain evident logic to Patterson's case here, and it's an argument that has been repeated elsewhere, notably in a lengthy *Washington Post* article the Sunday before last election day. That article made the case (echoing Patterson and quoting him as an expert) that politicians routinely discriminate against the issues favored by young voters in favor of the pet issues of older voters because the older a person is the more likely he'll actually cast a ballot. Just look at all the public hand-wringing over prescription medicine, Patterson argues, an issue which is not of dire importance to most Americans but a pretty urgent matter

Low voter turnout, Patterson says, means that groups of people who have problems with getting representative numbers to the polls are likely to have issues that concern them ignored: the young, for instance, and racial minorities.

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for senior citizens, who are most likely to vote.

But it's a real leap to say that those issues which aren't heavily emphasized during a campaign are ignored by government, and an even greater leap to suggest that those groups politicians don't routinely cater to are disenfranchised. A nonprofit group called the Youth Vote Coalition polled young voters across the country on the eve of the recent midterm elections to find out what issues were most important to them. Terrorism and homeland security came up first, taxes second, and crime third. None of these issues was exactly escaping the scrutiny and debate of politicians; the first two were the decisive issues for Republican legislative candidates in that campaign. It's hard to say, on these grounds, that the interests of young voters are in any substantial way shut out of the public debate. You can make similar arguments for African Americans or people in rural areas, two other groups with historically low turnout. Credit the hustle of politicians eager for votes — any group with a discernible agenda will find an audience.

After Super Tuesday, Patterson finds, voters knew less about the candidates than they did before the New Hampshire primary. When the Republican convention opened, potential voters were deeply apathetic.

Patterson's central concern, more narrowly, is voter turnout, and so his solutions take the form of structural improvements in the electoral process that might sensibly nudge up the number of people who turn out to vote. The structure of Patterson's Vanishing Voter Project — the series of telephone polls designed to gauge voter interest — provides him with a narrative of the public's undulations of interest and boredom. After Super Tuesday, Patterson finds, voters knew less about the candidates than they did before the New Hampshire primary. When the Republican convention opened, potential voters were deeply apathetic. Voters in states that held primaries late in the season knew far less about the candidates, on all counts, than voters in early-primary states. From these tendencies, highlighted by survey, Patterson concludes that the election cycle is far too long; that it pays disproportionate amounts of attention to the issues important to voters in the few states (New Hampshire, Iowa) that have early primaries; that it gives too much emphasis to the ability of candidates to raise money, which turns off large numbers of voters; that the media are too attentive to candidate gaffes and the politics of their personality (I'm with Patterson on this one; there's nothing so dull as listening to reporters uncharismatically discussing someone else's charisma); and that all of this turns off voters.

Many of these themes are familiar.

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His book's last section, titled "The Politics of Participation: A Model Campaign," tries to add to the debate by designing a presidential campaign that would answer them.

Patterson's campaign strips Iowa and New Hampshire of the exclusive contract to lead the primary season and instead establishes a set of four early primaries, one a week. The right to host those early primaries, Patterson says, should rotate among the smaller states, with the particular states differing each presidential election. His campaign then has all of the other primaries held on the next Tuesday, a sort of massive Super Tuesday, and jumps straight into the nominating conventions to avoid the "dead time" his polls found in the early summer.

Patterson says he wants to construct a compact primary campaign that can hold voters' interest. He would compel the broadcast networks to offer extended coverage of the primary debates and party conventions as well as a one-hour live interview program with the candidates during the general election. He also wants to eliminate the Electoral College, relying instead on the popular vote; adopt election-day registration (which we've tried before and given up because it's so inherently subject to manipulation — remember Bleeding Kansas?); institute later poll-closing hours; and make election day a national holiday.

These measures, Patterson says, will help restore public confidence in the process and make it easier for those people who are inclined to vote actually to do so. There are several sensible criticisms of this model, not least of which is that Patterson may be taking the citizens he surveys at their word a little too readily. He begins each chapter with a few quotations from ordinary folks giving their criticisms of the electoral process. For example:

> "I hate all the negativity and the mudslinging" — fifty-three-year-old North Carolina resident.
>
> "The press should report the news instead of making the news" — sixty-year-old Indiana resident.
>
> "The candidates promise all these things and then never follow through" — thirty-six-year-old Florida resident.

Patterson takes these comments very seriously. But what's disturbing about them is how flavorless they are. When a grad student from the Kennedy School of Government calls you up in North Carolina, or Indiana, or Florida to ask you why you don't vote, maybe you really are put off by politicians' mudslinging or an activist press or the false promises of a campaign. But maybe you are also so disengaged from the political process that the only things you know about it are these trite, impossibly simple criticisms of politicians and the press that you've heard from radio DJs or your co-workers, and so you throw back someone else's complaints as your own. This poses a genuine problem for his conclusion. If the real reason people don't vote is that they are frustrated by the particulars of the political process, then tweaking the political process may do some good. But if voters don't vote because of a more radical disengagement — they wouldn't know where to start — and are just quoting someone else's frustrations, then changing the election's particulars won't have much of an effect. I worry that Patterson may be overstat-

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ing the level of intelligence and information involved in the American public's continued abstention.

PATTERSON'S reforms are designed to make it easier and more enticing for a public which he considers inherently interested in voting but turned off from voting by the particulars of the voting and election processes to actually get to the polls. It's a premise that is not borne out by the history and the context. German voters, English voters, French voters — all of whom turn out at rates upwards of 85 percent for national elections — are deeply interested in the outcome of their elections. But Americans routinely turn out at rates closer to half that, and the particular dynamics of individual races never seem to increase the turnout rates all that much.

Appealing candidates do not dramatically alter the rate at which voters participate. A national war footing and extended television news coverage of September 11, 2001 and the war on terror were not enough, in 2001 or 2002, to affect voter behavior. These are pretty dramatic cultural events, and they have not significantly shaken the patterns of American voting behavior. Isn't this evidence enough to suggest that those Americans who habitually choose not to vote are fundamentally disengaged from the political process?

During the week leading up to the 2002 elections, I was assigned to the *Philadelphia Inquirer*'s coverage of a congressional race in suburban Philadelphia between a Republican state senator named Jim Gerlach and a Democrat named Dan Wofford, the son of former U.S. Senator Harris Wofford and himself a longtime public advocate on environmental and educational issues. Both candidates suited the wealthy district well; they were concerned about containing suburban sprawl and ensuring the state established strict standards for local schools, issues that voters cared most about. Gerlach and Wofford were both articulate, capable, and had long local roots and distinguished records. Their race was heavily covered by the local press, who used it mostly as a prompt for that age-old political question, "Whither the Soccer Moms?" (Back with the Republicans, apparently; Gerlach won.)

One of the things I did on election day, when I was chasing the candidates and their posses around suburban Pennsylvania, was to stop and quiz voters about who they voted for, and why. What was striking about these voters — who were not inarticulate and said they thought they had a lot of information on which to base their choices — was how dramatically wrong they were about the positions of the candidates and their parties. I spoke with a schoolteacher from Bechtelsville, Pennsylvania who voted for the Republican candidate, Gerlach, because she wanted to cast a pro-union vote. Her brother and brother-in-law both belonged to municipal unions, and she wanted a candidate whose party supported union positions. But even Gerlach would have acknowledged that Wofford was the pro-union candidate, and her brother and brother-in-law's union endorsed Wofford. I talked with a lawyer from Bala Cynwyd who voted for Wofford because he wanted to empower the party that would back strong support for the state of Israel. But Wofford would have acknowl-

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edged that position described his opponent's party more than his own. And these were the people who actually managed to vote.

Patterson's study turns up a lot of oddly compelling statistics. My favorite is the chart meant to assess how the strength of partisanship and degree of knowledge relate to voter turnout. Under the box that contains the intersection of "Strong Partisan" and "Unable to Say Anything About Either Party" sits "74 percent" — a benignly robust number. Wait a minute — there are people out there who consider themselves strong partisans but can't even say anything to describe their own party? *And three-quarters of them vote?* Patterson's researchers aren't looking for the sky here — "Democrats help working people" or "Republicans are a homeowner's friend"; "Democrats are baby killers" or "Republicans are corporate slime" — any of these would have counted as saying something about those particular parties. If this group of people who are voting (at a level far higher than most Americans) and who consider themselves staunch partisans can't even raise themselves to say something crudely positive about their own party or crudely negative about the other party — then how informed can the people who aren't voting be?

Not that voters have an easy task. American parties, over the past 20 years, have shed the class-based labels that made American party politics so user-friendly for most of the preceding century (and continues to make decisions easy for European voters). If you believed that America's essential dynamism lay with its small business owners, and particularly if you were a small business owner yourself, you voted Republican. If your faith and affiliations lay with the factory workers, you voted Democratic. Things are a lot more complicated now; party platforms are a huge mess of shifting affiliations and social, economic, and international concerns. There is a great deal of variability not only in position but also in emphasis among the parties, and local candidates are very rarely a simple proxy for the positions of the national parties. There are good reasons why voters are uninformed and disengaged.

There is a great deal of variability among the parties, and local candidates are very rarely a simple proxy for the positions of the national parties. There are good reasons why voters are uninformed and disengaged.

But they *are* uninformed and disengaged, and not incidentally or because they're fed up, as Patterson argues. The people who habitually do not vote are generally clueless about politics. Patterson's own surveys back this up. This is a knotty, difficult problem — and one that will not be solved by small measures.

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The Failure In Forgetting

By Peter Savodnik

Avishai Margalit. *The Ethics of Memory*. Harvard University Press. 224 pages. $24.95

Avishai Margalit's *The Ethics of Memory* opens with a story about a certain colonel in the Israeli army. As Margalit tells it, the colonel was consumed by public outrage after he admitted — not to killing unarmed Palestinians, torturing would-be terrorists, or leading his men recklessly into battle — but to forgetting the name of a soldier killed under his command. "I was struck," Margalit says, "by the moral wrath heaped on this officer simply for not remembering something, and it led me to think about the officer's obligation to remember — and if indeed he has an obligation."

Do people have a moral responsibility to remember certain things? This is the question that lies at the heart of *The Ethics of Memory*. It is a question, Margalit suggests, that can and should influence individual lives as well as collective decision-making about what kind of society we want to live in and how that society ought to interact with societies around the globe.

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To his credit, Margalit, a Hebrew University philosopher whose interests range from politics to language to religion, has stuck to philosophizing here, avoiding political and historical commentary. In fact, he makes a point early on of distinguishing between the ethics of memory and a psychology, politics, or theology of memory. This is an accomplishment all by itself; too many professors and public intellectuals nowadays roam recklessly into fields and specialties about which they know little.

Still, there's something unhappily prescient about *The Ethics of Memory*. Prescient because the flashpoint of History seems to have relocated — for the first time, or so it seems — to the New World. If the Battle of the Marne, Stalingrad, Normandy, Hiroshima, Potsdam, Berlin, and Red Square are where the great unfolding of war and ideology took place in the twentieth century, the destruction of the World Trade Center can be fairly dubbed the first global event of the twenty-first. Suddenly the eye of the hurricane, the volcanic convergence of geopolitical forces and cultural migrations, has touched down in America. Suddenly we seem to have been yanked out of the virtual ether, protected by oceans and ICBMs, and transplanted into the ugly concreteness of things. Now Americans no longer simply chant, automaton-style, "The best is yet to come." Now we look back — for the time being, at least — to September 11. All of which means that how we encounter history, and how we reconstruct that history out of our individual and communal memories, will be crucially important in a way that has not always been the case. Not only will this

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remembering define our past and present; it will also frame our future.

LIKE MOST philosophy, *The Ethics of Memory* involves a series of distinctions: knowing versus believing, mood versus emotion, sincerity versus authenticity, forgiving versus forgetting, and so on. The most fundamental distinction is that between ethics and morality. Margalit notes that he's not the first philosopher to differentiate between the two, but his understanding offers a fresh perspective. Ethics, as he sees it, refers to relations between people who know each other; he calls these connections "thick relations." Morality refers to relations between people and strangers, or universal "man"; these connections are labeled "thin relations." Importantly, both ethics and morality refer to interactions. A person's behavior is evaluated in the context of relations with others. Even someone who is all alone — say, a shipwreck survivor on a deserted island — can be viewed through an ethical lens by extending "the notion of thick relations to include one's very thick relation to one's own self, which involves a concern with leading a good life."

Underscoring the difference between ethics and morality, Margalit points out that it's entirely possible to lead a moral life but not an ethical one — by which he doesn't mean so much an "unethical life" as a solitary existence largely devoid of ethical, or close, relations. "Being moral is a required good; being ethical is, in principle, an optional good," he writes. More troubling is his suggestion, only vaguely hinted at, that it's possible to lead an immoral life *as well as* an ethical one. Consider the Nazi stormtrooper who spends all day killing Jews but makes sure he's home in time to tuck in his children and read them a bedtime story. No doubt, the stormtrooper is a moral failure, but that failure vis-à-vis mankind does not automatically make him a bad father. True, at a certain point his interactions with the rest of the world become relevant to his interactions with his children, insofar as those interactions with the rest of the world are instructive. Clearly, the stormtrooper is not being a good father (that is, acting ethically) if he teaches his children that it is permissible to kill innocent people (that is, to act immorally). But in the more immediate, or narrowly construed, context of a single day — killing Jews in the morning and afternoon, reading a bedtime story to his children in the evening — the stormtrooper's immorality does not obviously detract from his ethical behavior.

We have an obligation to prevent future genocides from taking place and remembering past genocides is a good way to do that. Thus, not remembering is to enable, or to contribute to the enabling of, death and destruction.

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But there's something else, beyond application or context, that separates ethics and morality — namely, *caring*. Caring, says Margalit, "is the attitude at the heart of our thick relations." In fact, the reason we need morality — the reason we need some code or principle that tells us how to treat people in general — is that we don't care about people in general: We only care about those we know. What is key to Margalit's argument is that caring is also intimately connected with memory. To say that one cares about someone is also to say that one remembers that person. It would be impossible, Margalit contends, to say that one cares about and forgets someone at the same time. The Israeli colonel who admitted he couldn't remember the soldier's name was indirectly, and unwittingly, admitting that, at that moment, he didn't care about the soldier. He may have cared about the soldier at an earlier time, but not now. Because the public expects comrades in arms to care about each other, the colonel's forgetfulness offended people's ethics.

Memory remains largely within the realm of ethics, and most of the problems, considerations, and questions that stem from memory — remembering, forgetting, reliving — take place within the "ethical community."

What all this means is that memory, for the most part, can be understood only in ethical, not moral, terms. To put it more squarely, the caring of thick relations offers a link between ethics and memory, while the lack of caring of thin relations indicates that there can be no analogous connection between morality and memory. This doesn't mean morality has nothing to say about memory. Margalit argues, for instance, that people have a moral obligation to remember "gross crimes against humanity." It would be wrong if we stopped thinking about the gas chambers or the gulag. Why? Because we have an obligation to prevent future genocides from taking place and remembering past genocides is a good way to do that. Thus, not remembering is to enable, or to contribute to the enabling of, death and destruction. Still, memory remains largely within the realm of ethics, and most of the problems, considerations, and questions that stem from memory — remembering, forgetting, reconstructing, reliving — take place within the "ethical community."

Curiously, Margalit is a tad vague when it comes to the ethical community. The ethical community, he explains, is a group of people who share thick relations with each other. It is the framework within which we measure the ethical quality of our remembering — or forgetting, as the case may be. But there's a lot of gray area here. What constitutes "thickness" in a relation? What does it mean "to know" someone? How many levels or hues of thickness can an ethical community

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make room for before that community loses its cohesiveness? And what about the ethical community's geographic or temporal borders? In the 1990s, Serbs in the Balkans and Hutus in Rwanda made it clear that they identified more closely with their ancestors than they did with their neighbors, which explains why many found it easier to murder and wage war in the name of distant causes or tribal unity than to make peace with living, breathing human beings. What "ethical community" — if that's the right term for it — were these people inhabiting? Christians and Jews, Immanuel Kant and David Hume, all disagree about what comprises and who inhabits the ethical community. Margalit, for his part, posits that ethical communities range from single individuals to entire nations; while we may not know precisely where ethical communities end, we do know that they do not extend to the whole of humanity. At a certain ill-defined elevation, ethical jurisdiction melds into moral jurisdiction. This is all very helpful, illuminating, and insightful. But, in the end, some of these unanswered questions may leave the reader just a bit unsatisfied.

THAT SAID, there's no doubt *The Ethics of Memory* marks an important contribution. By homing in on the question of whether people have a moral responsibility to remember certain things, Margalit has not only fleshed out a whole cache of considerations about the ethics of memory; he has also raised "sub-inquiries" about the philosophical nature, meaning, and implications of emotion, trauma, humiliation, poetry, history, faith, forgiveness, and privacy. His chapter on the moral witness, in particular, very thoughtfully frames the question, "Who should be charged with remembering for everyone else?" Closely related to this is, "What kind of person should this 'rememberer' — or moral witness — be?" And must the moral witness be moral? "A paradigmatic case of a moral witness should be someone whose morality is not in question," Margalit writes. "But a moral witness may still be one who compromises his morality for the sake of surviving, especially if the aim is to survive as a witness." In other words, they can't all be Primo Levi. Sometimes Josephus Flavius, who betrayed his own people to the Romans but lived to tell the tale, will have to do.

Margalit has not only fleshed out a whole cache of considerations about the ethics of memory; he has also raised "sub-inquiries" about the philosophical implications of emotion, trauma, humiliation, poetry, history, faith, and forgiveness.

There's just one serious hurdle here. Margalit clearly intends to speak to a broader lay audience: He has assiduously avoided technical language and,

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more to the point, he has raised a number of questions that most, if not all, thoughtful people at one point or another are prone to ask: What is the "good life"? What is truth? Why am I here? — questions that more formal analytic philosophers are often (and unjustly) accused of ignoring. The only problem — a problem he acknowledges — is that it's unclear whether thoughtful people living in a democracy pay all that much attention to remembering. Certainly, democratic life is relatively free of the ancient mythologies that pervade traditionalist-authoritarian society. "A democratic regime, so it seems to me, anchors its legitimacy not in the remote past but in the current election," he writes. "It would seem, therefore, that liberal democracies are exempt from an orientation to the past and rest their power on their vision of the future. Dwelling on the past in a democracy is as irrational as crying over spilt milk."

It may be the case that we ought to be paying attention to the past — it may be that the specter of History haunts lower Manhattan — but that doesn't mean readers are predisposed to thinking about it. Why should they be? The centerpiece of democracy is the individual. Significantly, the individual's individuality is reflected in his separateness — from the collective, from other individuals, and, naturally, from the past. Undoubtedly, one of the great accomplishments of democracy has been to divorce people, with varying degrees of success, from the shackles of a history over which they retain little, if any, power — that is, to transform them from members of historical-cultural groups into free agents with inalienable rights. "Enlightened" readers, intuiting the inherent backwardness of squeezing those free agents into an historical box, might understandably shy away — unconsciously, unwittingly — from even thinking in terms of memory. Margalit, to be fair, seems aware of this much: He tries to make the case, briefly, that "backward-looking emotions and attitudes" can and should play an important role in democratic life. But simply stating it isn't adequate. A little more explanation would have made this very intelligent, very engaging book a little more accessible.

The Most Elegant Thieves Of All

By Henrik Bering

Tod Volpe. *Framed: Tales of the Art Underworld.* Cutting Edge Press (Edinburgh). 271 pages. £15.99

Over the past couple of years has come a steady flow of revelations about that perennially glamorous subject, the international art scene: stories of boardroom intrigues and of illegal price-fixing between the two auction

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giants, Sotheby's and Christie's, of bid-rigging and of "death patrols," the distasteful practice of monitoring society death notices in order to contact the bereaved families concerning possible sales before the deceased has even been laid to rest.

Add to that the contributions of Tod Volpe, a key figure in the art market for more than two decades. He was responsible for launching the Mission arts and crafts craze in the 1970s, which turned a style into an international phenomenon. This made him one of the most successful postwar art dealers, with clients including Barbra Streisand, Jack Nicholson, and Andy Warhol.

Successful, that is, until the day in 1997 when the police entered his house in the Hamptons and arrested him. He was charged with 38 allegations of fraud and embezzlement that could have landed him a sentence of 10 to 12 years in prison. In the event he served two, but his career as an art dealer and consultant was clearly over.

Now he has published his memoir, *Framed: Tales of the Art Underworld*, one of the most revealing and useful books about the art world that has been published since Robert Lacey's classic *Sotheby's: Bidding for Class*. Like the latter, *Framed* is one these books that deserve the epithet "delightfully scandalous." It is also a cautionary tale of greed and stupidity that will make you think twice about ever again entering an antiques store alone and unarmed.

VOLPE'S BACKGROUND for entering the art world is somewhat unusual. He came by way of the funeral business. Coming from a poor Italian background, he started as an embalmer's apprentice with a prominent New York mortician. Here he became an expert at drumming up business: He learned to carefully cultivate cops, nursing homes, and hospitals to furnish him with customers. One scene finds him in a rowboat on Christmas Eve, picking up floaters from the Hudson River in the middle of a snowstorm. And most important, he learned how to handle grieving relatives, developing a soothing and unctuous manner which would prove very useful later on.

These passages are Dickensian in their ghoulish hilarity, told with great gusto. For his twenty-first birthday, Volpe was presented with a 400-pound corpse wrapped in a red ribbon, the preservation of which was the task of the day.

For an ambitious man, the funeral business was clearly a bit of a dead end, and after a while he shifted to reading art history at New York University and working as a stagehand at the Met in the evenings. His aim was to become an art dealer. On weekends, he scavenged the flea markets for antique finds, for which he had a keen eye. He financed his purchases by stealing from the stagehand coffee fund of which he was in charge, instead buying discount doughnuts and coffee. When people complained, he would shut them up by saying it was their alcohol habits that had dulled their tastebuds.

His great model and inspiration was the art rogue Joseph Duveen, who in the 1920s and 30s provided plutocrats and Hollywood moguls with choice European paintings and old aristocratic portraits at astronomical prices. The buyers could then point to them as

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their European ancestors. Duveen would stop at nothing: If the lady in a portrait was a little too old and wrinkled, his restorers would tart her up to be a delightful young girl. Lord Duveen's exploits included bribing servants and once supplying two little orphaned Japanese boys to satisfy a client's sexual peccadilloes.

These passages are Dickensian in their ghoulish hilarity. For his twenty-first birthday, Volpe was presented with a 400-pound corpse wrapped in a red ribbon, the preservation of which was the task of the day.

Together with his cousin, Volpe bought an old warehouse in the SoHo section of New York in 1968 and opened the Jordan Volpe Galley. The gallery was founded on a bright idea: At a friend's house he had seen an old recliner, which he bought for $75. It was marked with a joiner's compass and the words "Als ik kan," which means "the best that I can," the mark of the furniture maker Gustav Stickley, who at the start of the twentieth century rebelled against Victorian opulence in favor of simpler, more puritan designs. The design intrigued him.

Volpe and his cousin then proceeded to amass huge amounts of this type of arts and crafts furniture, which went under the name of "Mission" and which until then was perhaps better known for its secondary utility as firewood. It was Volpe's genius to envision it and market it as something new and deeply desirable. Suddenly everybody wanted a piece of Stickley furniture.

Volpe's innovation was in the presentation of objects. He could make pieces of modest value look like priceless artifacts. Lit in surprising ways, a banal object could be transformed into sculpture. If ever there was a style that could do with a bit of fancy extra lighting, it is Mission. Volpe's methods of presentation have since been imitated all over the world.

His prices were also innovative. He realized that if you are going to designate something as a masterpiece of American design, you have to price it accordingly. Which he proceeded to do with a vengeance.

To Volpe selling art became theater, open 24 hours day. And people came flocking to his store: Andy Warhol, Mario Coumo, Richard Mapplethorpe, Malcolm Forbes, Thomas Hoving became customers. Then came the day Jack Nicholson sauntered in. The Hollywood crowd was certainly different. They did not fidget like the New Yorkers over a small object, but bought in bulk. As Volpe notes, Barbra Streisand and Hollywood collectors like her would in 10 years acquire a collection that it would take others a lifetime to amass — and then sell it all again when they grew tired of it.

Some of these scenes are pure comedy. Action hero Bruce Willis comes off the set of a car chase covered in fire retardant grease to discuss the finer

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points of a particularly desirable piece of Stickley furniture he has seen in a nearby antique store. In another instance, tough guy actor Harvey Keitel of *Bad Lieutenant* fame has 12 Stickley rocking chairs delivered to his West Village apartment. He proceeds to test them for hours, with great brooding intensity, until he finds the one with the right rhythm.

The greatest fear of the rich is to be taken advantage of. By insinuating himself into their circle, becoming known as "the art guy," Volpe came to wield great influence in the film community. The credulousness of these people is enormous. "Is this the best price, cutes?" Nicholson asks him at one point. The answer to that one is No, probably not.

Stories of Hollywood foibles are always amusing, but the great value of the book lies in the light it sheds on the whole hidden art world, which is notorious for its lax bookkeeping. The possibilities for cheating, stealing, and money laundering are enormous.

Framed details how dealers unscrupulously restore damaged paintings and furniture — in much the same way Volpe and his colleagues made the corpses look good in the morgue. Actually, careful restoration is not the problem; withholding the information or downright lying about it to the customer is.

Even more important are his revelations of financial manipulations — the rigging of bids, the pooling of money, and the fixing of prices. Often dealers will bid on things not because they want them, but just to keep prices high, thereby protecting their own inventory. Or conversely, they will keep prices low by agreeing beforehand to let one of them do the bidding, so as not to compete with each other. Afterwards the real action will occur among the dealers themselves. This amounts to breaking federal fair-price regulations, as it prevents the object from realizing its true market value at auction.

Volpe is particularly illuminating on the nexus between the art dealers and the auction houses. The auction houses are no longer neutral clearinghouses between buyers and sellers but play a very active part in the game through their money-lending activities. They have in fact become banks and brokerage houses. The auction house will often finance and favor certain players and dealers, much as casinos do.

The most famous example of this occurred in 1987, when Sotheby's financed Australian entrepreneur Allan Bond's purchase of Van Gogh's "Irises" to the tune of $49 million. The purpose of this little exercise was to drive up the prices of Impressionist paintings, which it certainly did. In fact, it inflated the whole worldwide art market. These practices are also almost impossible to root out. Everybody knows they go on, but only in the really crass cases, as when Sotheby's and Christie's form a cartel, can the law intervene. The police would have to become both art experts and financial wizards, which is demanding a lot.

Volpe's downfall was caused by the early 1990s bursting of the art market bubble, which he himself had done so much to help create. In this environment, his attempt to keep up with the lifestyle of his customers was doomed. Having groundskeepers on hand to tend his Japanese garden and mechan-

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ics to maintain his Aston Martin Lagonda is not cheap. Neither is walking around in $2,000 crocodile shoes. In 20 years as a dealer, he spent over $28 million on art and fine living.

Trying to keep up appearances, he resorted to tricks like borrowing money from investors and auction houses against pieces of art that belonged to other people. He raided trust funds he was in charge of by taking out items and replacing them with inferior ones whose paper value he had just increased, pumping up the appraisals. His life became a nightmare of eluding dealers, lenders, and collection agencies. To keep his nerves steady, he sought refuge in cocaine.

At this point the memoir assumes a rather unpleasant whining voice. You cannot both revel in the cleverness of your swindles and, once you are caught, go on to say you did not mean them and you deeply regret what you have done. And with Volpe, swindling was not a matter of giving into temptation once. Rather, it was second nature. He simply does not know the difference between right and wrong. There is a certain Uriah Heepishness about him, at once subservient and groveling and at the same time stealing the shirt off your back. His nickname from the funeral business days, Toad, seems rather appropriate.

So this is what people are up against when bidding at auction or entering an antiques store. What makes the swindles of the art world so unpleasant is that while you would expect this kind of behavior from a used-car salesman, you do not expect it from people who kiss you on both cheeks and play Mozart in the background. They seem so nice and civilized. One almost waxes nostalgic for the good old days of relative innocence, as when a Christie's curator, in an enormous fit of boredom, started attributing indifferent seventeenth-century Italian paintings to that little- known Italian artist Urini — and sometimes to his more forceful cousin Stronzo. It may be a little wicked, but at least it's wickedly funny.

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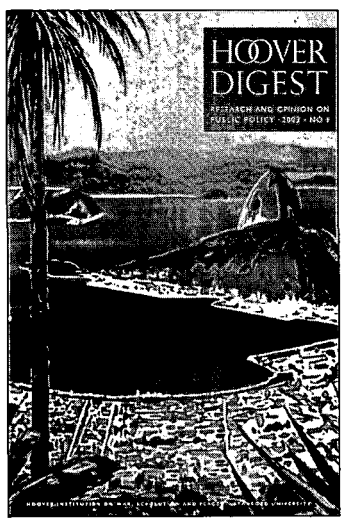

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